

City of Corinth, Texas

ANNUAL INVESTMENT REPORT

*For Fiscal Year Ended September 30, 2016*



Lee Ann Bunselmeyer  
*Acting City Manager*

Caryn Riggs  
*Assistant Director of Finance*

Chris Rodriguez  
*Financial Services Manager*



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3300 Corinth Parkway • Corinth, TX • 940.498.3280 • Fax 940.498.3232

November 30, 2016

TO: Honorable Mayor and Members of the City Council

The Annual Investment Report is written in accordance with state statutes, specifically the Public Funds Investment Act, section 2256 of the Texas Government Code. This report is presented to comply with the City's investment policy that states "within 180 days of the end of the fiscal year, the Director of Finance shall present an annual report on the investment program and investment activity. This report may be presented as a component of the fourth quarter report to the City Manager and City Council."

#### I. STATUTORY AND POLICY REQUIREMENTS

On February 4, 2016, a resolution was passed to adopt a formal investment policy for the City of Corinth. The Investment Policy is required by state law to be reviewed each year. The policy designates the Director of Finance as being responsible for the City's investment program. The Director of Finance is also responsible for establishing written procedures for the operation of the program. These procedures include the explicit delegation of authority to persons who carry out the daily investment transactions. The Director of Finance has made this delegation of authority to the Financial Services Manager and the Assistant Finance Director. Investment officers have the authority to invest all funds for the City of Corinth, the Corinth Crime Control and Prevention District and Corinth Economic Development Corporation with the exception of funds contributed to the Texas Municipal Retirement System (TMRS); other funds established by the City for deferred employee compensation; and revenue bond escrow funds. These funds are managed by outside investment managers and administrators and are monitored by the Finance Department.

The funds of the City of Corinth, Texas, are invested in compliance with Article. 842(a-1) entitled the "Public Funds Investment Act" of the Texas Government Code. Staff annually reviews the policy guidelines and objectives to ensure compliance with the changes in state law, and with the investment strategies adopted by the City Council as summarized below in order of importance.

1) Safety – Preservation and safety of Principal.

Safety of principal invested is the foremost objective in the investment decisions of the City. Each investment transaction shall seek to ensure the preservation of capital in the overall portfolio. The risk of loss shall be controlled by investing only in authorized securities as defined in this Policy, by qualifying the financial institutions and broker with which the City will transact, and by portfolio diversification. Safety is defined as the undiminished return of the principal on the City's investments.

2) Liquidity.

The investment portfolio shall be managed to maintain liquidity to ensure that funds will be available to meet the City's cash flow requirements and by investing in securities with active secondary markets. Investments shall be structured in such a manner as to provide liquidity necessary to pay obligations as they become due. A security may be liquidated prior to its stated maturity to meet unanticipated cash requirements or to otherwise favorably adjust the City's portfolio.

3) Diversification.

Investment maturities shall be staggered throughout the budget cycle to provide cash flow based on the anticipated needs of the City. Diversifying the appropriate maturity structure will reduce market cycle risk.

4) Market Rate-of-Return (Yield).

The City's investment portfolio shall be designed to optimize a market rate-of-return on investments consistent with risk constraints and cash flow requirements of the portfolio. The investment portfolio shall be managed in a manner which seeks to attain a market rate of return throughout budgetary and economic cycles. The City will not attempt to consistently attain an unrealistic above market rate-of-return, as this objective will subject the overall portfolio to greater risk. Therefore, the City's rate-of-return objective is secondary to those of safety and liquidity. Rate-of-return (yield) is defined as the annual income returned on an investment, expressed as a percentage.

5) Public Trust

The Investment Officer shall avoid any transactions that might impair public confidence in the City's ability to govern effectively. The governing body recognizes that in diversifying the portfolio, occasional measured losses due to market volatility are inevitable, and must be considered within the context of the overall portfolio's investment return, provided that adequate diversification has been implemented. The prudence of the investment decision shall be measured in accordance with the tests set forth in Section 2256.006(b) of the Act.

## II. BANK DEPOSITORY

Depository services support the objectives of the City's cash and investment management program. Those objectives are to maximize investment yield after satisfying the goals of safety and liquidity. A depository services contract is required for municipalities and the City of Corinth contracts with NorthStar Bank. Frost Bank serves as the City's safekeeping institution and acts as a third party custodian.

There are five significant cash management services that are provided to the City. These services are (1) a control concentration/sweep account, (2) the on-line cash management system, (3) positive pay, (4) safekeeping services, and (5) Courier service that includes daily pick-up and delivery of city deposits at various remote locations. The automated services provided by NorthStar Bank facilitate full utilization of available cash thus maximizing interest income. The NorthStar bank contract renewed for one year to expire on May 31, 2017.

## III. INVESTMENT ACCOUNTING METHODOLOGY

The accounts of the City of Corinth are maintained on the basis of funds or account groups, each of which is considered a separate accounting entity. Each fund is invested separately, as long as, it maintains a sufficient fund balance. The investment activity of each fund is summarized in the tables presented in this report.

The enclosed Annual Investment Report is in compliance with the investment strategies adopted by the City Council, as well as, in accordance with the relevant provisions of the Tex. Gov't Code Ch. 2256. The objectives adopted by the City Council will continue to drive the investment program in the next fiscal year in order to achieve optimum protection of public funds.

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Lee Ann Bunselmeyer  
Acting City Manager

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Caryn Riggs  
Assistant Director of Finance

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Chris Rodriguez  
Financial Services Manager

**CITY OF CORINTH**  
**ANNUAL INVESTMENT REPORT**  
*For Period Ending September 30, 2016*

| Security Type                 | Par Value            | Book Value           | Market Value         | % of Mkt to Book |
|-------------------------------|----------------------|----------------------|----------------------|------------------|
| U. S. Federal Agency-Coupon   | \$ 4,625,000         | \$ 4,629,069         | \$ 4,629,522         | 100.01%          |
| U.S. Federal Agency -Callable | 6,500,000            | 6,500,000            | 6,493,200            | 99.90%           |
| Managed Pools                 | 5,922,657            | 5,922,657            | 5,922,657            | 100.00%          |
| Money Market                  | 2,557,770            | 2,557,770            | 2,557,770            | 100.00%          |
| Bank Cash                     | 4,418,517            | 4,418,517            | 4,418,517            | 100.00%          |
|                               | <u>\$ 24,023,945</u> | <u>\$ 24,028,014</u> | <u>\$ 24,021,666</u> | <u>99.97%</u>    |

**PORTFOLIO SUMMARY REPORT**

|  |               |
|--|---------------|
| Beginning Par Value as of 9/30/2015    | \$ 13,494,447 |
| Beginning Book Value as of 9/30/2015   | \$ 13,493,443 |
| Beginning Market Value as of 9/30/2015 | \$ 13,507,896 |
| WAM at Beginning Date (Days)           | 217           |
| Ending Par Value as of 9/30/2016       | \$ 24,023,945 |
| Ending Book Value as of 9/30/2016      | \$ 24,028,014 |
| Ending Market Value as of 9/30/2016    | \$ 24,021,666 |
| WAM at Ending Date (Days)              | 241           |
| Change to Market Value <sup>(1)</sup>  | \$ 10,513,770 |

<sup>(1)</sup> The net increase in the Market Value is due to the receipt of \$15 million in bond proceeds for the 2016 Certificates of Obligation that were issued in May 2016. Bond proceeds of \$3.65 million have been expensed on the Public Safety Facility. Operating expenditures include Public Safety Communications upgrade and legal fees. Capital expenditures include the repainting the elevated water storage tank, Shady Rest Lane reconstruction and the Lake Sharon road extension.

This report is prepared in accordance with Chapter 2256 of the Public Funds Investment Act ("PFIA") Section 2256.023(a) which states that "Not less than quarterly, the investment officer shall prepare and submit to the governing body of the entity a written report of the investment transactions for all funds covered by this chapter for the preceding reporting period."

The investment portfolio complied with the PFIA and the City's approved Investment Policy and Strategy throughout the period.

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Lee Ann Bunselmeyer  
Director of Finance & Administrative Services

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Chris Rodriguez  
Financial Services Manager

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Caryn Riggs  
Assistant Finance Director

\_\_\_\_\_  
Scott McIntyre  
First Southwest Asset Management

**INVESTMENT STRATEGIES COMPLIANCE REPORT**  
**For Period Ending September 30, 2016**

**OPERATING FUNDS**

The investment strategy for operating funds and commingled pools containing operating funds have as their primary objective to assure that anticipated cash flows are matched with adequate investment liquidity. The secondary objective is to structure a portfolio, which will minimize volatility during economic cycles. This may be accomplished by purchasing high quality, short-term securities, which will compliment each other in a laddered maturity structure. A dollar-weighted average maturity of 270 days or less will be maintained and calculated by using the stated final maturity date of each security.

|  |    |             |
|--|----|-------------|
| Beginning Book Value as of 9/30/2015   | \$ | 12,304,220  |
| Beginning Market Value as of 9/30/2015 | \$ | 12,318,327  |
| WAM at Beginning Date (Days)           |    | 230         |
| Ending Book Value as of 9/30/2016      | \$ | 10,736,163  |
| Ending Market Value as of 9/30/2016    | \$ | 10,736,152  |
| Unrealized Gain/(Loss)                 | \$ | (11)        |
| Change to Market Value <sup>(1)</sup>  | \$ | (1,582,175) |
| WAM at Ending Date (Days)              |    | 142         |
| WAM Policy Benchmark ≤                 |    | 270         |

<sup>(1)</sup> The net decrease in the Market Value for the Operating Funds is due to the budgeted use of fund balance for the Public Safety Communications upgrade and legal fees. Also included in this fiscal year is the reclassification of the General Capital Projects Fund and Water/Wastewater Capital Projects Fund from the Operating Fund portfolio to the Bond/Capital Project Fund portfolio as of October 1, 2015. The total amount of the reclassification was \$2.6 million.

**DEBT SERVICE RESERVE FUND**

Investment strategies for debt service reserve and contingency funds shall have as the primary objective the ability to generate a dependable revenue stream to the appropriate fund from securities with a low degree of volatility. Securities should be of high quality and, except as may be required by the bond ordinance specific to an individual issue, of short to intermediate-term maturities. Volatility shall be further controlled through the purchase of securities carrying the highest coupon available, within the desired maturity and quality range, without paying a premium, if at all possible. Such securities will tend to hold their value during economic cycles. A dollar weighted average maturity of 365 days or less will be maintained and calculated by using the stated final maturity date of each security.

|  |    |         |
|--|----|---------|
| Beginning Book Value as of 9/30/2015   | \$ | 198,534 |
| Beginning Market Value as of 9/30/2015 | \$ | 198,534 |
| WAM at Beginning Date (Days)           |    | 1       |
| Ending Book Value as of 9/30/2016      | \$ | 274,178 |
| Ending Market Value as of 9/30/2016    | \$ | 274,178 |
| Unrealized Gain/(Loss)                 | \$ | -       |
| Change to Market Value <sup>(2)</sup>  | \$ | 75,644  |
| WAM at Ending Date (Days)              |    | 1       |
| WAM Policy Benchmark ≤                 |    | 365     |

<sup>(2)</sup> No significant change.

**INVESTMENT STRATEGIES COMPLIANCE REPORT**  
**For Period Ending September 30, 2016**

**BOND/CAPITAL PROJECT FUNDS**

Investment strategies for bond funds will have as their primary objective to assure that anticipated cash flows are matched with adequate investment liquidity. These portfolios should include at least 10% in highly liquid securities to allow for flexibility and unanticipated project outlays. The stated final maturity dates of securities held should not exceed the estimated project completion date. A dollar weighted average maturity of 365 days or less will be maintained and calculated by using the stated final maturity of each security.

|  |    |            |
|--|----|------------|
| Beginning Book Value as of 9/30/2015   | \$ | 552,319    |
| Beginning Market Value as of 9/30/2015 | \$ | 552,319    |
| WAM at Beginning Date (Days)           |    | 1          |
| Ending Book Value as of 9/30/2016      | \$ | 12,679,241 |
| Ending Market Value as of 9/30/2016    | \$ | 12,672,955 |
| Unrealized Gain/(Loss)                 | \$ | (6,286)    |
| Change to Market Value <sup>(1)</sup>  | \$ | 12,120,636 |
| WAM at Ending Date (Days)              |    | 336        |
| WAM Policy Benchmark ≤                 |    | 365        |

<sup>(1)</sup> The net increase in the Market Value is due to the receipt of \$15 million in bond proceeds for the 2016 Certificates of Obligation that were issued in May 2016. Bond proceeds of \$3.65 million have been expensed on the Public Safety Facility. Also included in this fiscal year is the reclassification of the General Capital Projects Fund and Water/Wastewater Capital Projects Fund from the Operating Fund portfolio to the Bond/Capital Project Fund portfolio as of October 1, 2015. The total amount of the reclassification was \$2.6 million. Other capital expenditures include repainting the elevated water storage tank, Shady Rest Lane reconstruction and the Lake Sharon road extension.

**SPECIAL REVENUE FUNDS**

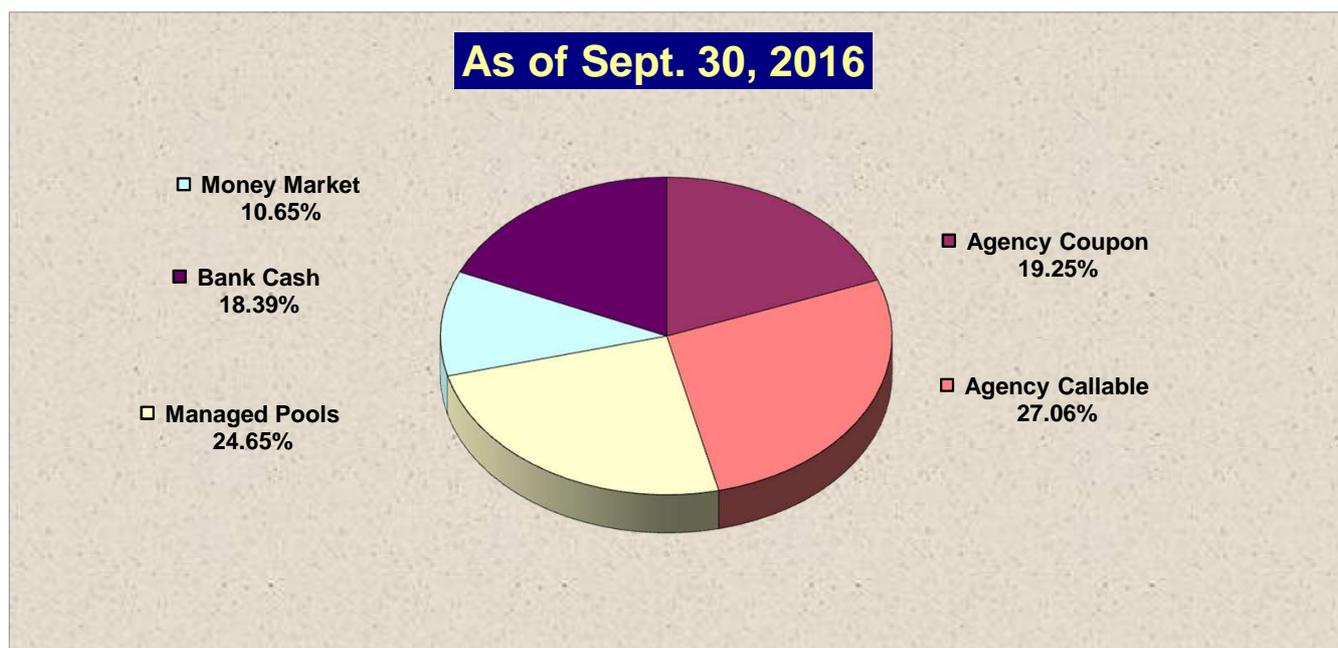
Investment strategies for construction projects or special revenue fund portfolios will have as their primary objective to assure that anticipated cash flows are matched with adequate investment liquidity. These portfolios should include at least 10% in highly liquid securities to allow for flexibility and unanticipated project outlays. The stated final maturity dates of securities held should not exceed the estimated project completion date. A dollar weighted average maturity of 270 days or less will be maintained and calculated by using the stated final maturity of each security.

|  |    |           |
|--|----|-----------|
| Beginning Book Value as of 9/30/2015   | \$ | 438,371   |
| Beginning Market Value as of 9/30/2015 | \$ | 438,717   |
| WAM at Beginning Date (Days)           |    | 213       |
| Ending Book Value as of 9/30/2016      | \$ | 338,432   |
| Ending Market Value as of 9/30/2016    | \$ | 338,382   |
| Unrealized Gain/(Loss)                 | \$ | (50)      |
| Change to Market Value <sup>(2)</sup>  | \$ | (100,335) |
| WAM at Ending Date (Days)              |    | 43        |
| WAM Policy Benchmark ≤                 |    | 270       |

<sup>(2)</sup> The net decrease in the Market Value is due to expenditures for the Master Plan Update and the Impact Fee Study.

**ANNUAL INVESTMENT REPORT**  
**Portfolio Summary By Market Sector**

| Market Sector                | Dec. 31, 2015        | Mar. 31, 2016        | June 30, 2016        | Sept. 30, 2016       |
|------------------------------|----------------------|----------------------|----------------------|----------------------|
| U.S. Federal Agency -Coupon  | \$ 3,050,000         | \$ 3,505,000         | \$ 4,055,000         | \$ 4,625,000         |
| U.S. Federal Agency-Callable | 1,845,000            | 3,575,000            | 7,000,000            | 6,500,000            |
| Managed Pools                | 908,667              | 909,370              | 7,915,901            | 5,922,657            |
| Money Market                 | 4,992,291            | 5,195,528            | 3,554,646            | 2,557,770            |
| Bank Cash                    | 6,006,202            | 3,342,284            | 2,322,667            | 4,418,517            |
| <b>Total Par Value:</b>      | <b>\$ 16,802,160</b> | <b>\$ 16,527,182</b> | <b>\$ 24,848,214</b> | <b>\$ 24,023,945</b> |



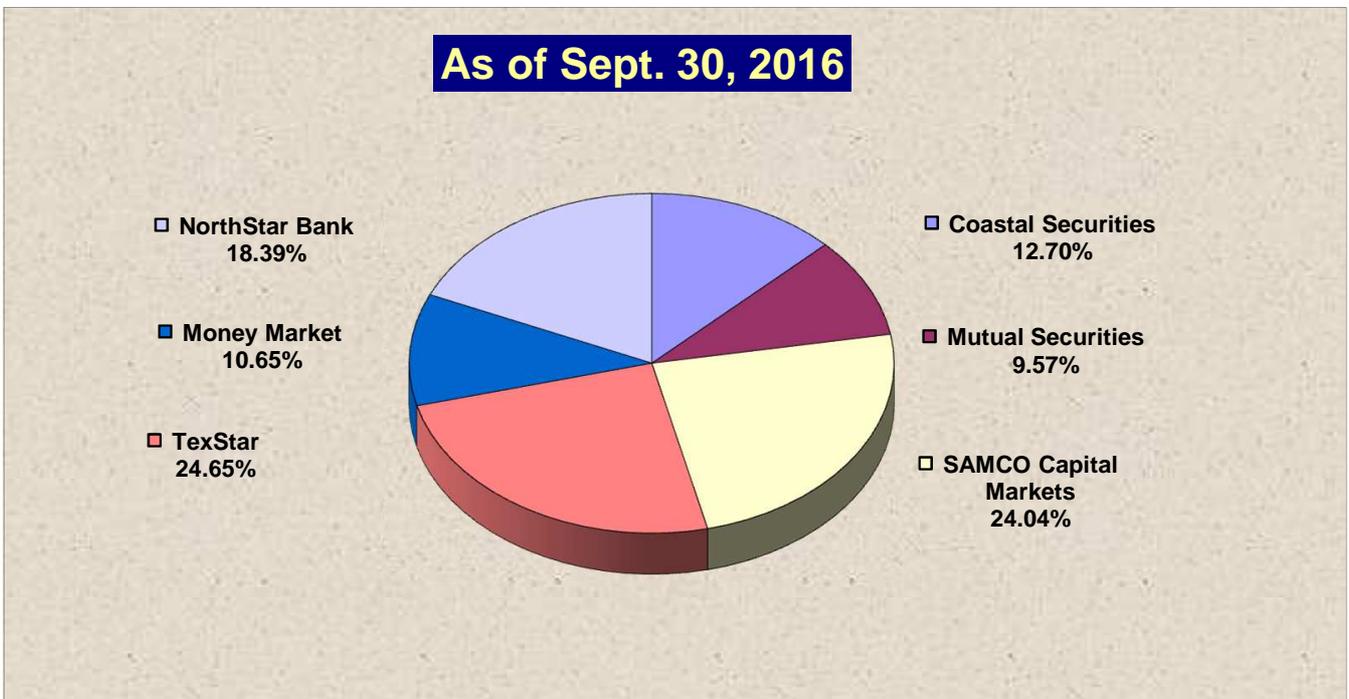
The portfolio is restricted to U.S. Treasuries, U.S. Agencies, bonds issued by Texas public entities and rated AA or better, fully insured/collateralized certificates of deposit, and fully collateralized repurchase agreements. The investments are diversified by security type to protect interest income from the volatility of interest rates and to protect the portfolio from the risk of principal loss in any one market.

| Performance Indicators                | Policy Benchmark | Dec. 31, 2015 | Mar. 31, 2016 | June 30, 2016 | Sept. 30, 2016 |
|---------------------------------------|------------------|---------------|---------------|---------------|----------------|
| Average Yield to Maturity             |                  | 0.376%        | 0.623%        | 0.646%        | 0.618%         |
| ≥ Policy Benchmark-(Six Month T-Bill) |                  | 0.482%        | 0.455%        | 0.392%        | 0.460%         |
| Callable Securities ≤                 | 30.00%           | 10.98%        | 21.63%        | 28.17%        | 27.06%         |
| Investment By Type ≤                  |                  |               |               |               |                |
| U.S. Treasuries                       | 100.00%          | 0.00%         | 0.00%         | 0.00%         | 0.00%          |
| U.S. Agencies                         | 100.00%          | 29.13%        | 42.84%        | 44.49%        | 46.31%         |
| Certificates of Deposit               | 100.00%          | 0.00%         | 0.00%         | 0.00%         | 0.00%          |
| Managed Pools                         | 50.00%           | 5.41%         | 5.50%         | 31.85%        | 24.65%         |
| Money Market                          | 100.00%          | 29.71%        | 31.44%        | 14.31%        | 10.65%         |
| Cash                                  | 100.00%          | 35.75%        | 20.22%        | 9.35%         | 18.39%         |

**Note:** The portfolio is below the benchmark for callable securities for the year. The Average Yield to Maturity exceeds the Policy Benchmark at the end of the fiscal year.

**ANNUAL INVESTMENT REPORT**  
**Portfolio Summary By Broker/Dealer**

| Dealers/Brokers                       | Dec. 31, 2015    | Mar. 31, 2016    | June 30, 2016    | Sept. 30, 2016   |
|---------------------------------------|------------------|------------------|------------------|------------------|
| <b>Broker/Dealer</b>                  |                  |                  |                  |                  |
| Coastal Securities                    | \$ 845,000       | \$ 2,575,000     | \$ 4,550,000     | \$ 3,050,000     |
| Mutual Securities                     | 2,000,000        | 1,300,000        | 1,300,000        | 2,300,000        |
| SAMCO Capital Markets                 | <b>2,050,000</b> | <b>3,205,000</b> | <b>5,205,000</b> | <b>5,775,000</b> |
| Total Broker/Dealer                   | \$ 4,895,000     | \$ 7,080,000     | \$ 11,055,000    | \$ 11,125,000    |
| <b>Managed Pools/ Depository Bank</b> |                  |                  |                  |                  |
| TexStar                               | \$ 908,667       | \$ 909,370       | \$ 7,915,901     | \$ 5,922,657     |
| Money Market                          | 4,992,291        | 5,195,528        | 3,554,646        | 2,557,770        |
| NorthStar Bank                        | 6,006,202        | 3,342,284        | 2,322,667        | 4,418,517        |
| Total Managed Pools/Depository Bank   | \$ 11,907,160    | \$ 9,447,182     | \$ 13,793,214    | \$ 12,898,945    |
| Total Par Value:                      | \$ 16,802,160    | \$ 16,527,182    | \$ 24,848,214    | \$ 24,023,945    |

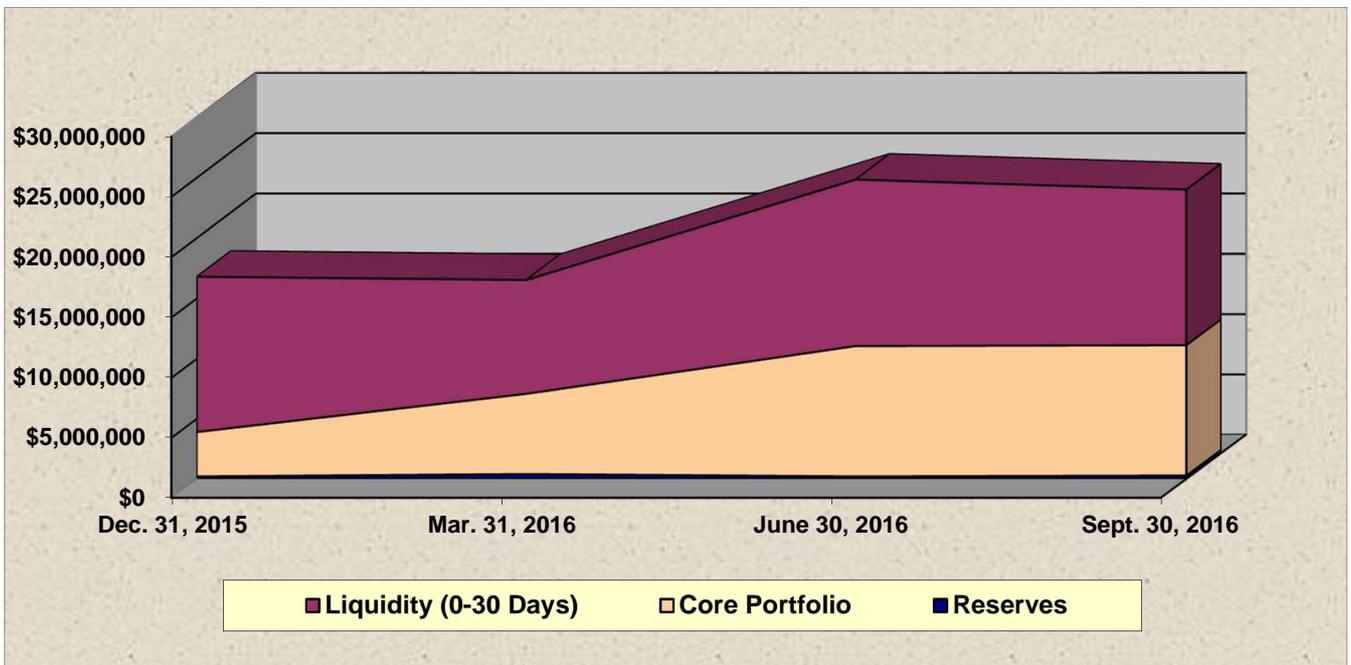


To guard against default possibilities, and to promote diversification of bidders, business with any one issuer, or investment broker, is limited to forty (40%) percent of the total portfolio at any point in time. As shown in the table below, the portfolio adhered to this provision throughout the quarter.

| Performance Indicators   | Policy Benchmark | Dec. 31, 2015 | Mar. 31, 2016 | June 30, 2016 | Sept. 30, 2016 |
|--------------------------|------------------|---------------|---------------|---------------|----------------|
| Highest Broker Percent ≤ | 40.00%           | 12.20%        | 19.39%        | 20.95%        | 24.04%         |

**ANNUAL INVESTMENT REPORT**  
*Portfolio Summary By Maturity*

| Maturity Time Frame | Dec. 31, 2015 | Mar. 31, 2016 | June 30, 2016 | Sept. 30, 2016 |
|---------------------|---------------|---------------|---------------|----------------|
| 0-30 Days           | \$ 12,907,160 | \$ 9,447,182  | \$ 13,793,214 | \$ 12,898,945  |
| 31-90 Days          | 300,000       | -             | -             | 1,500,000      |
| 91-180 Days         | -             | -             | 1,500,000     | 250,000        |
| 181-270 Days        | -             | 500,000       | 250,000       | -              |
| 271-360 Days        | 500,000       | 1,250,000     | -             | -              |
| 361-450 Days        | 2,095,000     | -             | -             | 1,300,000      |
| 451-540 Days        | -             | -             | 1,300,000     | 4,005,000      |
| 541 Days & Over     | 1,000,000     | 5,330,000     | 8,005,000     | 4,070,000      |
|                     | \$ 16,802,160 | \$ 16,527,182 | \$ 24,848,214 | \$ 24,023,945  |



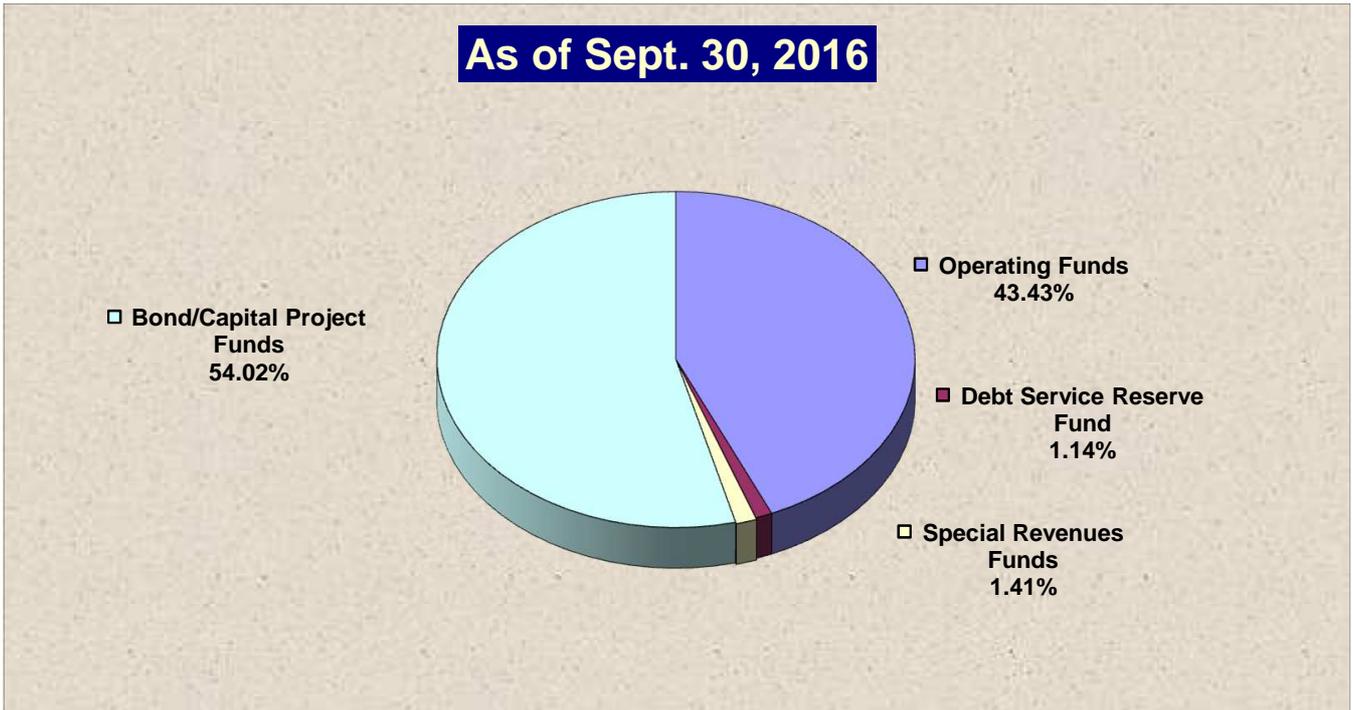
The risk of market price volatility is minimized through maturity diversification. The maturities on our investments are staggered over a series of three-month increments to provide cash flow based on the anticipated needs of the City. Liquidity is achieved by matching investment maturities with forecasted cash flow requirements and by investing in securities with active secondary markets. Short-term investment pools and money market funds provide daily liquidity and are utilized as a competitive yield alternative to fixed maturity investments.

| Performance Indicators   | Policy Benchmark | Dec. 31, 2015 | Mar. 31, 2016 | June 30, 2016 | Sept. 30, 2016 |
|--------------------------|------------------|---------------|---------------|---------------|----------------|
| Weighted Avg. Maturity ≤ | 365 Days         | 98            | 293           | 262           | 241            |
| Maturities ≤ 30 days ≥   | 5.00%            | 76.82%        | 57.16%        | 55.51%        | 53.69%         |

**Note:** The portfolio is within the benchmark limits for the Weighted Average Maturity and liquidity is at 54% at the end of the fiscal year.

**ANNUAL INVESTMENT REPORT**  
**Portfolio Summary By Fund Type**

| Fund Type                  | Dec. 31, 2015        | Mar. 31, 2016        | June 30, 2016        | Sept. 30, 2016       |
|----------------------------|----------------------|----------------------|----------------------|----------------------|
| Operating Funds            | \$ 13,479,738        | \$ 12,873,592        | \$ 10,365,831        | \$ 10,432,774        |
| Debt Service Reserve Fund  | 198,657              | 398,781              | 198,918              | 274,178              |
| Special Revenues Funds     | 338,122              | 413,208              | 338,303              | 338,442              |
| Bond/Capital Project Funds | 2,785,643            | 2,841,601            | 13,945,162           | 12,978,551           |
|                            | <u>\$ 16,802,160</u> | <u>\$ 16,527,182</u> | <u>\$ 24,848,214</u> | <u>\$ 24,023,945</u> |



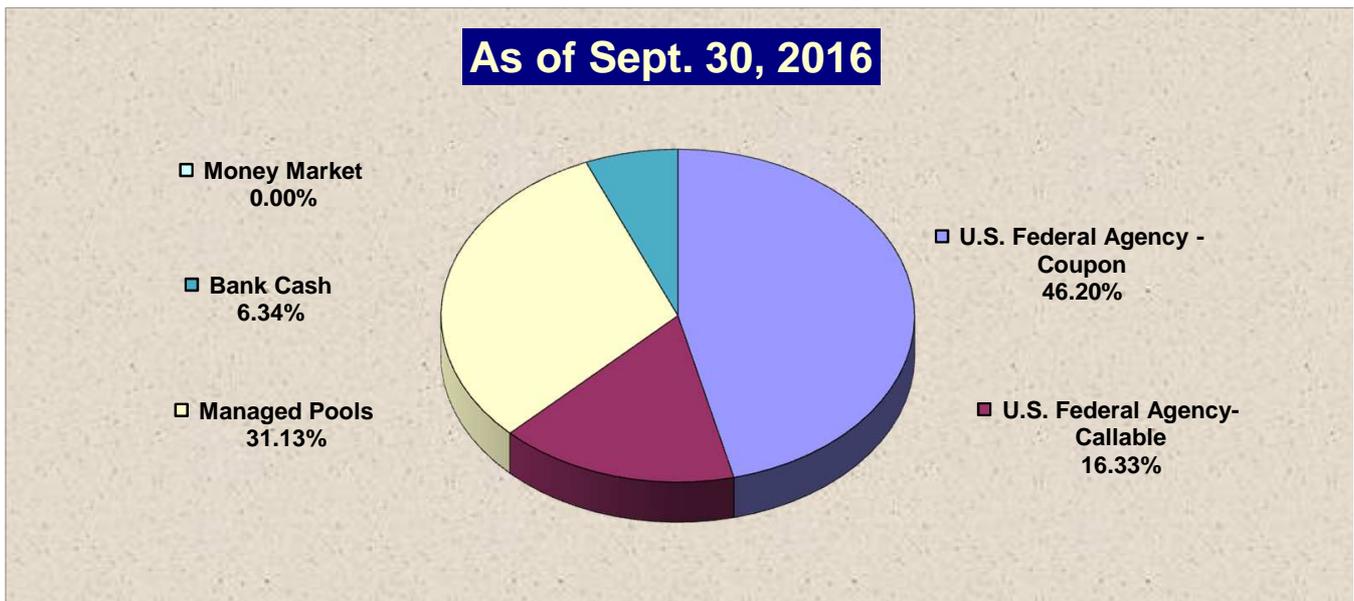
As shown in the graph above, the investments in the portfolio are distributed by fund type. Preservation and safety of principal of these investments is the most important strategy. All investments shall be high quality securities with no perceived default risk. Market fluctuations will occur; however, by managing the weighted-average days to maturity (WAM) for each fund type, losses are minimized.

| Performance Indicators     | Policy Benchmark | Dec. 31, 2015 | Mar. 31, 2016 | June 30, 2016 | Sept. 30, 2016 |
|----------------------------|------------------|---------------|---------------|---------------|----------------|
| WAM by Fund ≤              |                  |               |               |               |                |
| Operating Funds            | 270 Days         | 108           | 286           | 271           | 142            |
| Debt Service Reserve Funds | 365 Days         | 1             | 359           | 1             | 1              |
| Special Revenue Funds      | 270 Days         | 205           | 253           | 97            | 43             |
| Bond Funds                 | 365 Days         | 45            | 319           | 264           | 336            |

**Note:** The Weighted Average Maturity for all Funds are below the policy benchmark as of September 30, 2016.

**ANNUAL INVESTMENT REPORT**  
Economic Development Corporation

| Market Sector                | Dec. 31, 2015       | Mar. 31, 2016       | June 30, 2016       | Sept. 30, 2016      |
|------------------------------|---------------------|---------------------|---------------------|---------------------|
| U.S. Federal Agency -Coupon  | \$ 1,090,000        | \$ 1,415,000        | \$ 1,415,000        | \$ 1,415,000        |
| U.S. Federal Agency-Callable | 655,000             | 500,000             | 500,000             | 500,000             |
| Managed Pools                | 430,973             | 431,294             | 952,569             | 953,468             |
| Money Market                 | 556,052             | 356,274             | -                   | -                   |
| Bank Cash                    | 232,645             | 285,089             | 291,667             | 194,258             |
| Total Par Value:             | <u>\$ 2,964,670</u> | <u>\$ 2,987,657</u> | <u>\$ 3,159,236</u> | <u>\$ 3,062,726</u> |



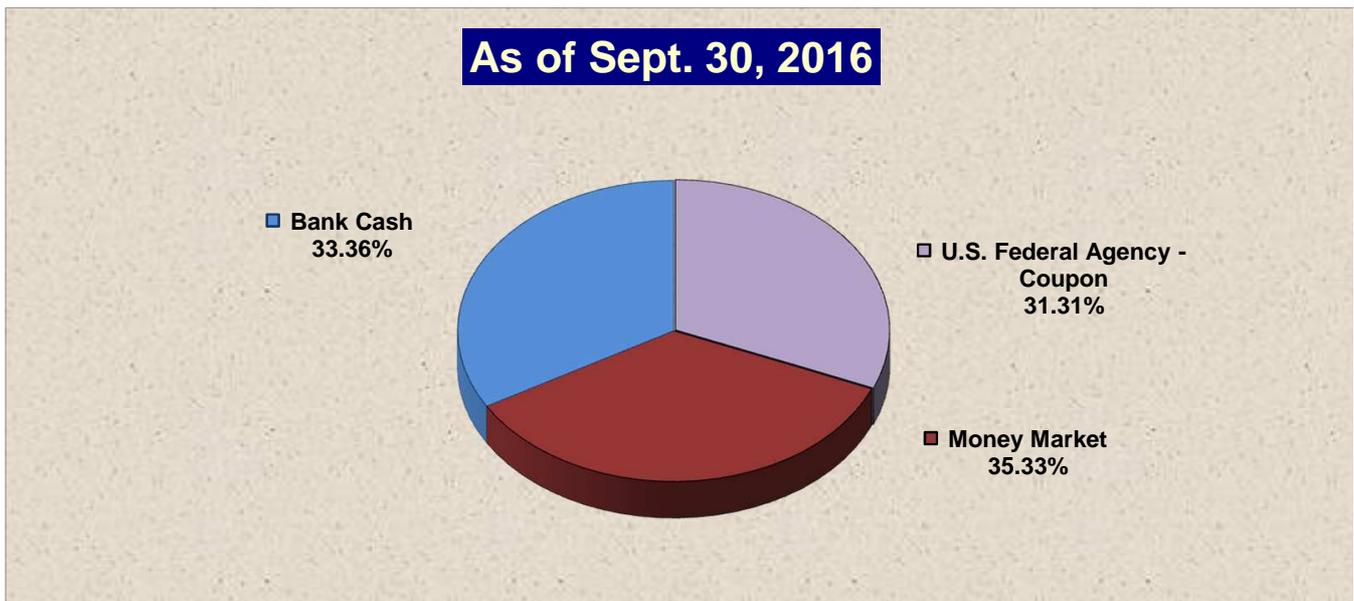
The portfolio is restricted to U.S. Treasuries, U.S. Agencies, bonds issued by Texas public entities and rated AA or better, fully insured/collateralized certificates of deposit, and fully collateralized repurchase agreements. The investments are diversified by security type to protect interest income from the volatility of interest rates and to protect the portfolio from the risk of principal loss in any one market.

| Performance Indicators                | Policy Benchmark | Dec. 31, 2015 | Mar. 31, 2016 | June 30, 2016 | Sept. 30, 2016 |
|---------------------------------------|------------------|---------------|---------------|---------------|----------------|
| Average Yield to Maturity             |                  | 0.450%        | 0.668%        | 0.676%        | 0.689%         |
| ≥ Policy Benchmark-(Six Month T-Bill) |                  | 0.482%        | 0.455%        | 0.392%        | 0.460%         |
| Callable Securities ≤                 | 30.00%           | 22.09%        | 16.74%        | 15.83%        | 16.33%         |
| Investment By Type ≤                  |                  |               |               |               |                |
| U.S. Treasuries                       | 100.00%          | 0.00%         | 0.00%         | 0.00%         | 0.00%          |
| U.S. Agencies                         | 100.00%          | 58.85%        | 64.10%        | 60.62%        | 62.53%         |
| Managed Pools                         | 100.00%          | 14.54%        | 14.44%        | 30.15%        | 31.13%         |
| Money Market                          | 100.00%          | 18.76%        | 11.92%        | 0.00%         | 0.00%          |
| Cash                                  | 100.00%          | 7.85%         | 9.54%         | 9.23%         | 6.34%          |
| Weighted Avg. Maturity ≤              | 270 Days         | 108           | 322           | 249           | 199            |
| Maturities ≤30 days ≥                 | 5.00%            | 41.14%        | 35.90%        | 39.38%        | 37.47%         |

**Note:** The portfolio exceeds the policy benchmark for the Average Yield to Maturity at the end of the fiscal year. The liquidity for the portfolio is 37% at the end of the fiscal year.

**ANNUAL INVESTMENT REPORT**  
**Street Maintenance Sales Tax**

| Market Sector                | Dec. 31, 2015     | Mar. 31, 2016     | June 30, 2016     | Sept. 30, 2016    |
|------------------------------|-------------------|-------------------|-------------------|-------------------|
| U.S. Federal Agency -Coupon  | \$ -              | \$ -              | \$ 200,000        | \$ 200,000        |
| U.S. Federal Agency-Callable | -                 | 175,000           | -                 | -                 |
| Managed Pools                | -                 | -                 | -                 | -                 |
| Money Market                 | 225,148           | 225,288           | 225,443           | 225,670           |
| Bank Cash                    | 267,858           | 81,983            | 139,088           | 213,122           |
| Total Par Value:             | <u>\$ 493,006</u> | <u>\$ 482,271</u> | <u>\$ 564,531</u> | <u>\$ 638,792</u> |



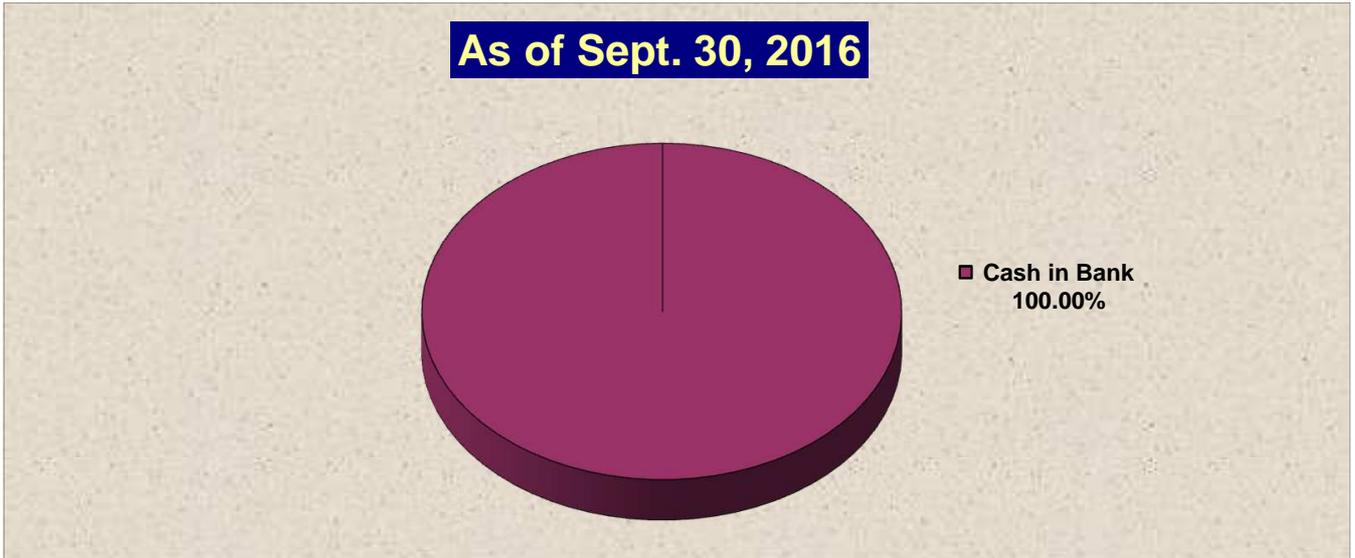
The portfolio is restricted to U.S. Treasuries, U.S. Agencies, bonds issued by Texas public entities and rated AA or better, fully insured/collateralized certificates of deposit, and fully collateralized repurchase agreements. The investments are diversified by security type to protect interest income from the volatility of interest rates and to protect the portfolio from the risk of principal loss in any one market.

| Performance Indicators                | Policy Benchmark | Dec. 31, 2015 | Mar. 31, 2016 | June 30, 2016 | Sept. 30, 2016 |
|---------------------------------------|------------------|---------------|---------------|---------------|----------------|
| Average Yield to Maturity             |                  | 0.234%        | 0.562%        | 0.469%        | 0.469%         |
| ≥ Policy Benchmark-(Six Month T-Bill) |                  | 0.482%        | 0.455%        | 0.392%        | 0.460%         |
| Callable Securities ≤                 | 30.00%           | 0.00%         | 36.29%        | 0.00%         | 0.00%          |
| Investment By Type ≤                  |                  |               |               |               |                |
| U.S. Treasuries                       | 100.00%          | 0.00%         | 0.00%         | 0.00%         | 0.00%          |
| U.S. Agencies                         | 100.00%          | 0.00%         | 36.29%        | 35.43%        | 31.31%         |
| Managed Pools                         | 100.00%          | 0.00%         | 0.00%         | 0.00%         | 0.00%          |
| Money Market                          | 100.00%          | 45.67%        | 46.71%        | 39.93%        | 35.33%         |
| Cash                                  | 100.00%          | 54.33%        | 17.00%        | 24.64%        | 33.36%         |
| Weighted Avg. Maturity ≤              | 270 Days         | 1             | 260           | 200           | 148            |
| Maturities ≤30 days ≥                 | 5.00%            | 100.00%       | 63.71%        | 64.57%        | 68.69%         |

**Note:** The portfolio is within the policy benchmark for the Average Yield to Maturity for the fiscal year. The liquidity for the portfolio is 69% at the end of the fiscal year.

**ANNUAL INVESTMENT REPORT**  
**Crime Control & Prevention District**

| Market Sector                               | Dec. 31, 2015   | Mar. 31, 2016   | June 30, 2016   | Sept. 30, 2016  |
|---|-----------------|-----------------|-----------------|-----------------|
| U.S. Federal Agency -Coupon<br>Cash in Bank | \$ -<br>209,785 | \$ -<br>136,422 | \$ -<br>192,063 | \$ -<br>202,786 |
| Total Par Value:                            | \$ 209,785      | \$ 136,422      | \$ 192,063      | \$ 202,786      |



The portfolio is restricted to U.S. Treasuries, U.S. Agencies, bonds issued by Texas public entities and rated AA or better, fully insured/collateralized certificates of deposit, and fully collateralized repurchase agreements. The investments are diversified by security type to protect interest income from the volatility of interest rates and to protect the portfolio from the risk of principal loss in any one market.

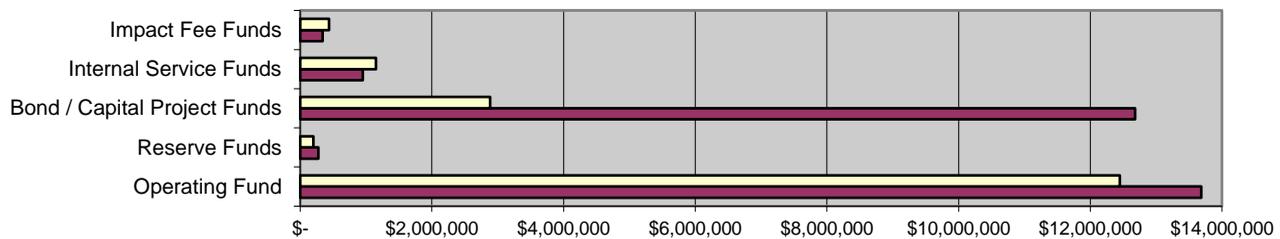
| Performance Indicators                | Policy Benchmark | Dec. 31, 2015 | Mar. 31, 2016 | June 30, 2016 | Sept. 30, 2016 |
|---------------------------------------|------------------|---------------|---------------|---------------|----------------|
| Average Yield to Maturity             |                  | 0.220%        | 0.220%        | 0.465%        | 0.465%         |
| ≥ Policy Benchmark-(Six Month T-Bill) |                  | 0.482%        | 0.455%        | 0.392%        | 0.460%         |
| Callable Securities ≤                 | 30.00%           | 0.00%         | 0.00%         | 0.00%         | 0.00%          |
| Investment By Type ≤                  |                  |               |               |               |                |
| U.S. Treasuries                       | 100.00%          | 0.00%         | 0.00%         | 0.00%         | 0.00%          |
| U.S. Agencies                         | 100.00%          | 0.00%         | 0.00%         | 0.00%         | 0.00%          |
| Managed Pools                         | 100.00%          | 0.00%         | 0.00%         | 0.00%         | 0.00%          |
| Cash                                  | 100.00%          | 100.00%       | 100.00%       | 100.00%       | 100.00%        |
| Weighted Avg. Maturity ≤              | 270 Days         | 1             | 1             | 1             | 1              |

**Note:** Due to liquidity needs, the fund balance is not invested. All funds are held in the bank account.

**CITY OF CORINTH**  
**INVESTED BALANCE COMPARISON**  
*(For Periods Ending September 30)*

| <b>Fund Name</b>                          | <b>Actual<br/>2015-16</b>   | <b>Actual<br/>2014-15</b>   | <b>Variance</b>             |
|---|-----------------------------|-----------------------------|-----------------------------|
| <b>OPERATING FUNDS</b>                    |                             |                             |                             |
| 100 General Fund                          | \$ 2,978,413                | \$ 3,345,530                | \$ (367,118)                |
| 110 Water/Sewer Operations                | 1,684,515                   | 2,275,941                   | (591,426)                   |
| 120 Storm Water Utility Fund              | 698,732                     | 447,819                     | 250,914                     |
| 130 Economic Development Corporation      | 3,062,726                   | 3,026,759                   | \$ 35,967                   |
| 131 Crime Control & Prevention District   | 202,786                     | 173,691                     | 29,095                      |
| 132 Street Maintenance Sales Tax          | 638,792                     | 426,357                     | 212,435                     |
| Northstar Cash                            | 4,418,517                   | 2,751,925                   | 1,666,592                   |
|   | <u>\$ 13,684,482</u>        | <u>\$ 12,448,022</u>        | <u>\$ 1,236,460</u>         |
| <b>RESERVE FUNDS</b>                      |                             |                             |                             |
| 200 Debt Service                          | \$ 274,178                  | \$ 198,534                  | \$ 75,644                   |
|   | <u>\$ 274,178</u>           | <u>\$ 198,534</u>           | <u>\$ 75,644</u>            |
| <b>BOND / CAPITAL PROJECTS FUNDS</b>      |                             |                             |                             |
| 193 General Fund Capital Expenditure Fund | 1,777,420                   | 1,720,846                   | 56,574                      |
| 194 Utility Capital Expenditure Fund      | 339,612                     | 612,226                     | (272,615)                   |
| 703 Streets - 2007 C.O.                   | -                           | 400,699                     | (400,699)                   |
| 704 All Departmental - 2007 C.O.          | -                           | -                           | -                           |
| 705 Fire - 2010 C.O.                      | -                           | -                           | -                           |
| 706 GF Capital Projects - 2016 C.O.       | 10,561,519                  | -                           | 10,561,519                  |
| 800 Water - 2007 C.O.                     | -                           | -                           | -                           |
| 801 Wastewater - 2007 C.O.                | -                           | -                           | -                           |
| 802 Drainage - 2007 C.O.                  | -                           | 151,620                     | (151,620)                   |
|   | <u>\$ 12,678,551</u>        | <u>\$ 2,885,391</u>         | <u>\$ 9,793,160</u>         |
| <b>INTERNAL SERVICE FUNDS</b>             |                             |                             |                             |
| 300 General Fund Vehicle Replacement      | -                           | -                           | -                           |
| 301 Fire Vehicle Replacement              | 75,652                      | 75,430                      | 222                         |
| 302 Technology Replacement                | -                           | -                           | -                           |
| 310 Utility Vehicle Replacement           | 100,595                     | 300,300                     | (199,705)                   |
| 311 Utility Meter Replacement             | 776,350                     | 775,540                     | 810                         |
|   | <u>\$ 952,597</u>           | <u>\$ 1,151,271</u>         | <u>\$ (198,674)</u>         |
| <b>IMPACT FEE FUNDS</b>                   |                             |                             |                             |
| 610 Water/Sewer Impact Fees               | 100,000                     | 200,000                     | (100,000)                   |
| 611 Wastewater Impact Fees                | 100,000                     | 100,000                     | -                           |
| 620 Storm Drainage Impact Fees            | -                           | -                           | -                           |
| 630 Roadway Impact Fees                   | -                           | -                           | -                           |
| 699 Street Escrow Fund                    | 138,442                     | 138,037                     | 406                         |
|   | <u>\$ 338,442</u>           | <u>\$ 438,037</u>           | <u>\$ (99,594)</u>          |
|   | <u><u>\$ 27,928,249</u></u> | <u><u>\$ 17,121,254</u></u> | <u><u>\$ 10,806,995</u></u> |

**INVESTED BALANCE COMPARISON**

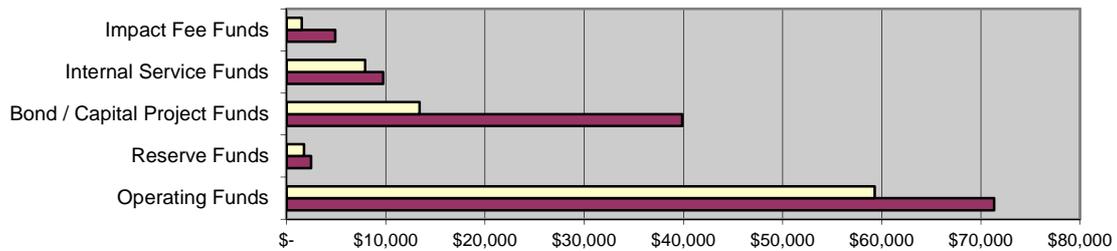


|         | Operating Fund | Reserve Funds | Bond / Capital Project Funds | Internal Service Funds | Impact Fee Funds |
|---------|----------------|---------------|------------------------------|------------------------|------------------|
| 2014-15 | 12,448,022     | 198,534       | 2,885,391                    | \$1,151,271            | \$438,037        |
| 2015-16 | 13,684,482     | 274,178       | 12,678,551                   | \$952,597              | \$338,442        |

**CITY OF CORINTH**  
**INTEREST EARNINGS COMPARISON**  
*(For Periods Ending September 30)*

| <b>Fund Name</b>                         | <b>Actual 2015-16</b>    | <b>Actual 2014-15</b>   | <b>Variance</b>         |
|--|--------------------------|-------------------------|-------------------------|
| <b>OPERATING FUNDS:</b>                  |                          |                         |                         |
| 100 General Fund                         | \$ 40,124                | \$ 39,762               | \$ 362                  |
| 110 Water/Sewer Operations               | 7,363                    | 6,996                   | 367                     |
| 120 Storm Water Utility Fund             | 2,720                    | 418                     | 2,302                   |
| 130 Economic Development Corporation     | \$ 18,128                | \$ 11,026               | \$ 7,102                |
| 131 Crime Control & Prevention District  | 689                      | 149                     | 540                     |
| 132 Street Maintenance Sales Tax         | 2,302                    | 932                     | 1,370                   |
|  | <u>\$ 71,326</u>         | <u>\$ 59,283</u>        | <u>\$ 12,043</u>        |
| <b>RESERVE FUNDS:</b>                    |                          |                         |                         |
| 200 Debt Service                         | \$ 2,484                 | \$ 1,772                | \$ 712                  |
|  | <u>\$ 2,484</u>          | <u>\$ 1,772</u>         | <u>\$ 712</u>           |
| <b>BOND /CAPITAL PROJECTS FUNDS</b>      |                          |                         |                         |
| 193 General Fund Capital Expenditure Fun | 11,774                   | 9,058                   | 2,715                   |
| 194 Utility Capital Expenditure Fund     | 3,040                    | 1,531                   | 1,510                   |
| 703 Streets - 2007 C.O.                  | 350                      | 1,422                   | (1,072)                 |
| 704 All Departmental - 2007 C.O.         | 14                       | 21                      | (7)                     |
| 705 Fire - 2010 C.O.                     | 85                       | 44                      | 40                      |
| 706 GF Capital Projects - 2016 C.O.      | 23,820                   | -                       | 23,820                  |
| 800 Water - 2007 C.O.                    | 56                       | 207                     | (151)                   |
| 801 Wastewater - 2007 C.O.               | 51                       | 14                      | 37                      |
| 802 Drainage - 2007 C.O.                 | 702                      | 1,103                   | (400)                   |
|  | <u>\$ 39,892</u>         | <u>\$ 13,400</u>        | <u>\$ 26,491</u>        |
| <b>INTERNAL SERVICE FUNDS</b>            |                          |                         |                         |
| 300 General Fund Vehicle Replacement     | 189                      | 86                      | 102                     |
| 301 Fire Vehicle Replacement             | 559                      | 513                     | 46                      |
| 302 Technology Replacement               | 113                      | 21                      | 92                      |
| 310 Utility Vehicle Replacement          | 1,962                    | 1,227                   | 735                     |
| 311 Utility Meter Replacement            | 6,902                    | 6,063                   | 839                     |
|  | <u>\$ 9,725</u>          | <u>\$ 7,912</u>         | <u>\$ 1,813</u>         |
| <b>IMPACT FEE FUNDS</b>                  |                          |                         |                         |
| 610 Water/Sewer Impact Fees              | \$ 1,702                 | \$ 588                  | \$ 1,114                |
| 611 Wastewater Impact Fees               | 1,470                    | 190                     | 1,280                   |
| 620 Storm Drainage Impact Fees           | 340                      | 86                      | 254                     |
| 630 Roadway Impact Fees                  | 935                      | 269                     | 667                     |
| 630 Street Escrow                        | 453                      | 411                     | 41                      |
|  | <u>\$ 4,900</u>          | <u>\$ 1,545</u>         | <u>\$ 3,356</u>         |
|  | <u><u>\$ 128,327</u></u> | <u><u>\$ 83,911</u></u> | <u><u>\$ 44,415</u></u> |

**INTEREST EARNINGS COMPARISON**



|         | Operating Funds | Reserve Funds | Bond / Capital Project Funds | Internal Service Funds | Impact Fee Funds |
|---------|-----------------|---------------|------------------------------|------------------------|------------------|
| 2014-15 | \$59,283        | \$1,772       | \$13,400                     | \$7,912                | \$1,545          |
| 2015-16 | \$71,326        | \$2,484       | \$39,892                     | \$9,725                | \$4,900          |

City of Corinth, Texas

ANNUAL INVESTMENT REPORT

*For Fiscal Year Ended September 30, 2016*



**APPENDIX A**

**Investment Report  
For Month Ending September 30, 2016**



**City of Corinth portfolio**  
**Texas Compliance Change in Val Report**  
**Sorted by Fund**  
**October 1, 2015 - September 30, 2016**

City of Corinth  
 3300 Corinth Parkway  
 Corinth, TX 76208  
 -9404983200

| Inv #                                    | Issuer       | Fund  | Purch Date | Interest Accrual  | Beginning Book Value   |                      |               |                 | Ending Book Value   |
|--|--------------|-------|------------|-------------------|------------------------|----------------------|---------------|-----------------|---------------------|
| Cusip                                    | Par Value    | YTM   | Mat Date   | Interest Received | Beginning Market Value | Purchases/ Additions | Redemptions   | Change in Value | Ending Market Value |
| <b>Fund: Pooled Cash</b>                 |              |       |            |                   |                        |                      |               |                 |                     |
| 10012                                    | NTHSTR       | 00    | 10/01/2015 | 11,605.76         | 2,751,924.77           | 12,913,718.32        | 11,247,126.04 | 1,666,592.28    | 4,418,517.05        |
| SYS10012                                 | 4,418,517.05 | 0.464 | / /        | 0.00              | 2,751,924.77           | 12,913,718.32        | 11,247,126.04 | 1,666,592.28    | 4,418,517.05        |
| <b>Sub Totals For: Fund: Pooled Cash</b> |              |       |            | 11,605.76         | 2,751,924.77           | 12,913,718.32        | 11,247,126.04 | 1,666,592.28    | 4,418,517.05        |
|  |              |       |            | 0.00              | 2,751,924.77           | 12,913,718.32        | 11,247,126.04 | 1,666,592.28    | 4,418,517.05        |
| <b>Fund: General Fund</b>                |              |       |            |                   |                        |                      |               |                 |                     |
| 10513                                    | FHLMC        | 100   | 09/01/2014 | 2,382.44          | 845,000.00             | 0.00                 | 845,000.00    | -845,000.00     | 0.00                |
| 3134G4TD0                                | 0.00         | 0.000 | 01/27/2017 | 3,696.88          | 846,859.00             | 0.00                 | 845,000.00    | -846,859.00     | 0.00                |
| 10553                                    | FHLMC        | 100   | 06/28/2016 | 2,066.67          | 0.00                   | 1,000,000.00         | 0.00          | 1,000,000.00    | 1,000,000.00        |
| 3134G9WU7                                | 1,000,000.00 | 0.800 | 12/28/2017 | 0.00              | 0.00                   | 1,000,000.00         | 0.00          | 999,700.00      | 999,700.00          |
| 10140                                    | TXSTAR       | 100   | 10/01/2015 | 1.19              | 530.17                 | 0.92                 | 531.09        | -530.17         | 0.00                |
| SYS10140                                 | 0.00         | 0.366 | / /        | 0.92              | 530.17                 | 0.92                 | 531.09        | -530.17         | 0.00                |
| 10327                                    | NTHSTR       | 100   | 10/01/2015 | 4,343.41          | 0.01                   | 2,972,067.62         | 2,643,655.05  | 328,412.57      | 328,412.58          |
| SYS10327                                 | 328,412.58   | 0.250 | / /        | 4,330.95          | 0.01                   | 2,972,067.62         | 2,643,655.05  | 328,412.57      | 328,412.58          |
| 10495                                    | FHLB         | 100   | 01/07/2014 | 6,250.00          | 998,209.50             | 0.00                 | 0.00          | 1,442.01        | 999,651.51          |
| 3130A0C65                                | 1,000,000.00 | 0.771 | 12/28/2016 | 6,250.00          | 1,001,600.00           | 0.00                 | 0.00          | -900.00         | 1,000,700.00        |
| 10523                                    | FHLB         | 100   | 01/02/2015 | 5,250.00          | 500,000.00             | 0.00                 | 0.00          | 0.00            | 500,000.00          |
| 3130A3Q80                                | 500,000.00   | 1.047 | 09/29/2017 | 5,250.00          | 501,850.00             | 0.00                 | 0.00          | -1,650.00       | 500,200.00          |
| 10522                                    | FHLMC        | 100   | 01/02/2015 | 3,055.56          | 1,000,000.00           | 0.00                 | 1,000,000.00  | -1,000,000.00   | 0.00                |
| 3134G5VA0                                | 0.00         | 0.000 | 12/29/2017 | 6,250.00          | 1,002,400.00           | 0.00                 | 1,000,000.00  | -1,002,400.00   | 0.00                |
| 10556                                    | FNMA         | 100   | 08/05/2016 | 249.66            | 0.00                   | 150,870.00           | 0.00          | 150,987.29      | 150,987.29          |
| 3136G16Y0                                | 150,000.00   | 0.824 | 12/26/2018 | 0.00              | 0.00                   | 150,870.00           | 0.00          | 150,638.88      | 150,638.88          |

Portfolio CITY

**City of Corinth portfolio**  
**Texas Compliance Change in Val Report**  
**October 1, 2015 - September 30, 2016**

| Inv #                                     | Issuer     | Fund  | Purch Date | Interest Accrual  | Beginning Book Value   |                      |              |                 | Ending Book Value   |
|---|------------|-------|------------|-------------------|------------------------|----------------------|--------------|-----------------|---------------------|
| Cusip                                     | Par Value  | YTM   | Mat Date   | Interest Received | Beginning Market Value | Purchases/ Additions | Redemptions  | Change in Value | Ending Market Value |
| <b>Sub Totals For: Fund: General Fund</b> |            |       |            | 23,598.93         | 3,343,739.68           | 4,122,938.54         | 4,489,186.14 | -364,688.30     | 2,979,051.38        |
|   |            |       |            | 25,778.75         | 3,353,239.18           | 4,122,938.54         | 4,489,186.14 | -373,587.72     | 2,979,651.46        |
| <b>Fund: Utility Fund</b>                 |            |       |            |                   |                        |                      |              |                 |                     |
| 10507                                     | FFCB       | 110   | 08/01/2014 | 400.00            | 300,000.00             | 0.00                 | 300,000.00   | -300,000.00     | 0.00                |
| 3133ECE91                                 | 0.00       | 0.000 | 02/01/2016 | 600.00            | 300,090.00             | 0.00                 | 300,000.00   | -300,090.00     | 0.00                |
| 10527                                     | FHLB       | 110   | 09/30/2015 | 975.00            | 150,248.50             | 0.00                 | 0.00         | -255.75         | 149,992.75          |
| 3130A3PC2                                 | 150,000.00 | 0.674 | 12/12/2016 | 682.50            | 150,472.50             | 0.00                 | 0.00         | -517.50         | 149,955.00          |
| 10533                                     | FFCB       | 110   | 01/27/2016 | 1,779.17          | 0.00                   | 300,000.00           | 0.00         | 300,000.00      | 300,000.00          |
| 3133EFWC7                                 | 300,000.00 | 0.875 | 11/27/2017 | 875.00            | 0.00                   | 300,000.00           | 0.00         | 300,240.00      | 300,240.00          |
| 10557                                     | FNMA       | 110   | 08/05/2016 | 449.40            | 0.00                   | 271,566.00           | 0.00         | 271,777.13      | 271,777.13          |
| 3136G16Y0                                 | 270,000.00 | 0.824 | 12/26/2018 | 0.00              | 0.00                   | 271,566.00           | 0.00         | 271,149.98      | 271,149.98          |
| 10211                                     | TXSTAR     | 110   | 10/01/2015 | 2,016.30          | 610,002.37             | 2,403.61             | 0.00         | 2,403.61        | 612,405.98          |
| SYS10211                                  | 612,405.98 | 0.412 | / /        | 1,872.23          | 610,002.37             | 2,403.61             | 0.00         | 2,403.61        | 612,405.98          |
| 10358                                     | NTHSTR     | 110   | 10/01/2015 | 1,415.50          | 1,215,938.96           | 553,907.14           | 1,417,736.67 | -863,829.53     | 352,109.43          |
| SYS10358                                  | 352,109.43 | 0.250 | / /        | 1,322.19          | 1,215,938.96           | 553,907.14           | 1,417,736.67 | -863,829.53     | 352,109.43          |
| 10018                                     | TXPOOL     | 110   | 10/01/2015 | 0.00              | 0.00                   | 0.00                 | 0.00         | 0.00            | 0.00                |
| SYS10018                                  | 0.00       | 5.271 | / /        | 0.00              | 0.00                   | 0.00                 | 0.00         | 0.00            | 0.00                |
| 10023                                     | FEDER      | 110   | 10/01/2015 | 0.00              | 0.00                   | 0.00                 | 0.00         | 0.00            | 0.00                |
| SYS10023                                  | 0.00       | 5.190 | / /        | 0.00              | 0.00                   | 0.00                 | 0.00         | 0.00            | 0.00                |
| <b>Sub Totals For: Fund: Utility Fund</b> |            |       |            | 7,035.37          | 2,276,189.83           | 1,127,876.75         | 1,717,736.67 | -589,904.54     | 1,686,285.29        |
|   |            |       |            | 5,351.92          | 2,276,503.83           | 1,127,876.75         | 1,717,736.67 | -590,643.44     | 1,685,860.39        |
| <b>Fund: Drainage Fund</b>                |            |       |            |                   |                        |                      |              |                 |                     |
| 10528                                     | FHLB       | 120   | 09/30/2015 | 975.00            | 150,248.50             | 0.00                 | 0.00         | -255.75         | 149,992.75          |
| 3130A3PC2                                 | 150,000.00 | 0.674 | 12/12/2016 | 682.50            | 150,472.50             | 0.00                 | 0.00         | -517.50         | 149,955.00          |
| 10558                                     | FNMA       | 120   | 08/05/2016 | 249.66            | 0.00                   | 150,870.00           | 0.00         | 150,987.29      | 150,987.29          |
| 3136G16Y0                                 | 150,000.00 | 0.824 | 12/26/2018 | 0.00              | 0.00                   | 150,870.00           | 0.00         | 150,638.88      | 150,638.88          |

**City of Corinth portfolio**  
**Texas Compliance Change in Val Report**  
**October 1, 2015 - September 30, 2016**

| Inv #                                      | Issuer     | Fund  | Purch Date | Interest Accrual  | Beginning Book Value   | Purchases/ Additions | Redemptions | Change in Value | Ending Book Value   |
|--|------------|-------|------------|-------------------|------------------------|----------------------|-------------|-----------------|---------------------|
| Cusip                                      | Par Value  | YTM   | Mat Date   | Interest Received | Beginning Market Value |                      |             |                 | Ending Market Value |
| 10302                                      | TXSTAR     | 120   | 10/01/2015 | 984.02            | 297,818.70             | 913.77               | 0.00        | 913.77          | 298,732.47          |
| SYS10302                                   | 298,732.47 | 0.412 | / /        | 913.77            | 297,818.70             | 913.77               | 0.00        | 913.77          | 298,732.47          |
| 10332                                      | NTHSTR     | 120   | 10/01/2015 | 0.68              | 0.00                   | 100,000.00           | 0.00        | 100,000.00      | 100,000.00          |
| SYS10332                                   | 100,000.00 | 0.250 | / /        | 0.00              | 0.00                   | 100,000.00           | 0.00        | 0.00            | 0.00                |
| <b>Sub Totals For: Fund: Drainage Fund</b> |            |       |            | 2,209.36          | 448,067.20             | 251,783.77           | 0.00        | 251,645.31      | 699,712.51          |
|  |            |       |            | 1,596.27          | 448,291.20             | 251,783.77           | 0.00        | 151,035.15      | 599,326.35          |
| <b>Fund: Economic Development</b>          |            |       |            |                   |                        |                      |             |                 |                     |
| 10503                                      | FHLMC      | 130   | 07/31/2014 | 33.12             | 50,001.36              | 0.00                 | 50,000.00   | -50,001.36      | 0.00                |
| 3134G3W55                                  | 0.00       | 0.000 | 11/24/2015 | 112.50            | 50,025.00              | 0.00                 | 50,000.00   | -50,025.00      | 0.00                |
| 10474                                      | FFCB       | 130   | 02/01/2013 | 200.00            | 150,000.00             | 0.00                 | 150,000.00  | -150,000.00     | 0.00                |
| 3133ECE91                                  | 0.00       | 0.000 | 02/01/2016 | 300.00            | 150,045.00             | 0.00                 | 150,000.00  | -150,045.00     | 0.00                |
| 10502                                      | FFCB       | 130   | 07/31/2014 | 133.33            | 100,000.00             | 0.00                 | 100,000.00  | -100,000.00     | 0.00                |
| 3133ECE91                                  | 0.00       | 0.000 | 02/01/2016 | 200.00            | 100,030.00             | 0.00                 | 100,000.00  | -100,030.00     | 0.00                |
| 10504                                      | FFCB       | 130   | 07/31/2014 | 266.67            | 200,000.00             | 0.00                 | 200,000.00  | -200,000.00     | 0.00                |
| 3133ECE91                                  | 0.00       | 0.000 | 02/01/2016 | 400.00            | 200,060.00             | 0.00                 | 200,000.00  | -200,060.00     | 0.00                |
| 10497                                      | FHLB       | 130   | 01/28/2014 | 521.87            | 250,015.18             | 0.00                 | 250,000.00  | -250,015.18     | 0.00                |
| 313382K85                                  | 0.00       | 0.000 | 03/18/2016 | 562.50            | 250,100.00             | 0.00                 | 250,000.00  | -250,100.00     | 0.00                |
| 10508                                      | FHLB       | 130   | 08/01/2014 | 814.12            | 389,911.67             | 0.00                 | 390,000.00  | -389,911.67     | 0.00                |
| 313382K85                                  | 0.00       | 0.000 | 03/18/2016 | 877.50            | 390,156.00             | 0.00                 | 390,000.00  | -390,156.00     | 0.00                |
| 10515                                      | FHLMC      | 130   | 09/01/2014 | 380.63            | 135,000.00             | 0.00                 | 135,000.00  | -135,000.00     | 0.00                |
| 3134G4TD0                                  | 0.00       | 0.000 | 01/27/2017 | 590.63            | 135,297.00             | 0.00                 | 135,000.00  | -135,297.00     | 0.00                |
| 10519                                      | FHLMC      | 130   | 10/31/2014 | 662.57            | 235,000.00             | 0.00                 | 235,000.00  | -235,000.00     | 0.00                |
| 3134G4TD0                                  | 0.00       | 0.000 | 01/27/2017 | 1,028.13          | 235,517.00             | 0.00                 | 235,000.00  | -235,517.00     | 0.00                |
| 10526                                      | FHLMC      | 130   | 06/30/2015 | 803.54            | 285,000.00             | 0.00                 | 285,000.00  | -285,000.00     | 0.00                |
| 3134G4TD0                                  | 0.00       | 0.000 | 01/27/2017 | 1,246.88          | 285,627.00             | 0.00                 | 285,000.00  | -285,627.00     | 0.00                |

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| Inv #   | Issuer     | Fund  | Purch Date | Interest Accrual  | Beginning Book Value   | Purchases/ Additions | Redemptions  | Change in Value | Ending Book Value   |
|---|------------|-------|------------|-------------------|------------------------|----------------------|--------------|-----------------|---------------------|
| Cusip   | Par Value  | YTM   | Mat Date   | Interest Received | Beginning Market Value |                      |              |                 | Ending Market Value |
| 10007   | TXPOOL     | 130   | 10/01/2015 | 2,211.62          | 430,830.21             | 522,637.64           | 0.00         | 522,637.64      | 953,467.85          |
| SYS10007  | 953,467.85 | 0.383 | / /        | 1,953.95          | 430,830.21             | 522,637.64           | 0.00         | 522,637.64      | 953,467.85          |
| 10021   | NTHSTR     | 130   | 10/01/2015 | 754.69            | 245,221.05             | 383,950.44           | 434,913.43   | -50,962.99      | 194,258.06          |
| SYS10021  | 194,258.06 | 0.300 | / /        | 0.00              | 245,221.05             | 383,950.44           | 434,913.43   | -50,962.99      | 194,258.06          |
| 10379   | NTHSTR     | 130   | 10/01/2015 | 645.94            | 555,707.91             | 637.05               | 556,344.96   | -555,707.91     | 0.00                |
| SYS10379  | 0.00       | 0.250 | / /        | 637.05            | 555,707.91             | 637.05               | 556,344.96   | -555,707.91     | 0.00                |
| 10542   | FAMC       | 130   | 03/08/2016 | 16,906.10         | 0.00                   | 612,161.55           | 0.00         | 598,411.44      | 598,411.44          |
| 30769QAA8   | 585,000.00 | 0.924 | 04/19/2017 | 3,414.54          | 0.00                   | 612,161.55           | 0.00         | 599,157.00      | 599,157.00          |
| 10541   | FHLMC      | 130   | 02/25/2016 | 2,400.00          | 0.00                   | 500,000.00           | 0.00         | 500,000.00      | 500,000.00          |
| 3134G8L49   | 500,000.00 | 0.800 | 08/25/2017 | 2,000.00          | 0.00                   | 500,000.00           | 0.00         | 499,200.00      | 499,200.00          |
| 10543   | FHLB       | 130   | 03/11/2016 | 2,955.55          | 0.00                   | 382,812.00           | 0.00         | 381,802.31      | 381,802.31          |
| 313378PK1   | 380,000.00 | 0.917 | 09/28/2017 | 2,911.22          | 0.00                   | 382,812.00           | 0.00         | 382,090.00      | 382,090.00          |
| 10534   | FFCB       | 130   | 01/27/2016 | 2,668.75          | 0.00                   | 450,000.00           | 0.00         | 450,000.00      | 450,000.00          |
| 3133EFWC7   | 450,000.00 | 0.875 | 11/27/2017 | 1,312.50          | 0.00                   | 450,000.00           | 0.00         | 450,360.00      | 450,360.00          |
| <b>Sub Totals For: Fund: Economic Development</b>     |            |       |            | 32,358.50         | 3,026,687.38           | 2,852,198.68         | 2,786,258.39 | 51,252.28       | 3,077,939.66        |
|   |            |       |            | 17,547.40         | 3,028,616.17           | 2,852,198.68         | 2,786,258.39 | 49,916.74       | 3,078,532.91        |
| <b>Fund: Crime Control &amp; Prev</b>                 |            |       |            |                   |                        |                      |              |                 |                     |
| 10323   | NTHSTR     | 131   | 10/01/2015 | 586.02            | 173,691.25             | 135,053.37           | 105,958.46   | 29,094.91       | 202,786.16          |
| SYS10322  | 202,786.16 | 0.464 | / /        | 0.00              | 173,691.25             | 135,053.37           | 105,958.46   | 29,094.91       | 202,786.16          |
| <b>Sub Totals For: Fund: Crime Control &amp; Prev</b> |            |       |            | 586.02            | 173,691.25             | 135,053.37           | 105,958.46   | 29,094.91       | 202,786.16          |
|   |            |       |            | 0.00              | 173,691.25             | 135,053.37           | 105,958.46   | 29,094.91       | 202,786.16          |
| <b>Fund: Street Maintenance S</b>                     |            |       |            |                   |                        |                      |              |                 |                     |
| 10486   | FHLMC      | 132   | 09/30/2013 | 99.37             | 150,004.07             | 0.00                 | 150,000.00   | -150,004.07     | 0.00                |
| 3134G3W55   | 0.00       | 0.000 | 11/24/2015 | 337.50            | 150,075.00             | 0.00                 | 150,000.00   | -150,075.00     | 0.00                |
| 10551   | FHLB       | 132   | 06/16/2016 | 420.00            | 0.00                   | 200,000.00           | 0.00         | 200,000.00      | 200,000.00          |
| 3130A8HM8   | 200,000.00 | 0.720 | 01/16/2018 | 120.00            | 0.00                   | 200,000.00           | 0.00         | 199,720.00      | 199,720.00          |

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| Inv #   | Issuer     | Fund  | Purch Date | Interest Accrual  | Beginning Book Value   | Purchases/ Additions | Redemptions  | Change in Value | Ending Book Value   |
|---|------------|-------|------------|-------------------|------------------------|----------------------|--------------|-----------------|---------------------|
| Cusip   | Par Value  | YTM   | Mat Date   | Interest Received | Beginning Market Value |                      |              |                 | Ending Market Value |
| 10155   | TXSTAR     | 132   | 10/01/2015 | 0.00              | 0.00                   | 0.00                 | 0.00         | 0.00            | 0.00                |
| SYS10155  | 0.00       | 0.030 | / /        | 0.00              | 0.00                   | 0.00                 | 0.00         | 0.00            | 0.00                |
| 10331   | NTHSTR     | 132   | 10/01/2015 | 663.70            | 75,037.62              | 150,631.97           | 0.00         | 150,631.97      | 225,669.59          |
| SYS10331  | 225,669.59 | 0.250 | / /        | 631.97            | 75,037.62              | 150,631.97           | 0.00         | 150,631.97      | 225,669.59          |
| 10401   | NTHSTR     | 132   | 10/01/2015 | 539.16            | 201,319.29             | 313,404.77           | 301,601.63   | 11,803.14       | 213,122.43          |
| SYS10042  | 213,122.43 | 0.464 | / /        | 0.00              | 201,319.29             | 313,404.77           | 301,601.63   | 11,803.14       | 213,122.43          |
| <b>Sub Totals For: Fund: Street Maintenance S</b> |            |       |            | 1,722.23          | 426,360.98             | 664,036.74           | 451,601.63   | 212,431.04      | 638,792.02          |
|   |            |       |            | 1,089.47          | 426,431.91             | 664,036.74           | 451,601.63   | 212,080.11      | 638,512.02          |
| <b>Fund: General Fund Capital</b>                 |            |       |            |                   |                        |                      |              |                 |                     |
| 10512   | FHLMC      | 193   | 09/01/2014 | 1,300.00          | 999,950.19             | 0.00                 | 1,000,000.00 | -999,950.19     | 0.00                |
| 3134G33R9   | 0.00       | 0.000 | 01/15/2016 | 2,250.00          | 1,000,700.00           | 0.00                 | 1,000,000.00 | -1,000,700.00   | 0.00                |
| 10500   | FHLB       | 193   | 03/28/2014 | 2,187.50          | 250,000.00             | 0.00                 | 0.00         | 0.00            | 250,000.00          |
| 3133782N0   | 250,000.00 | 0.874 | 03/10/2017 | 2,187.50          | 251,375.00             | 0.00                 | 0.00         | -975.00         | 250,400.00          |
| 10464   | NTHSTR     | 193   | 10/01/2015 | 1,600.01          | 470,846.33             | 101,574.16           | 0.00         | 101,574.16      | 572,420.49          |
| SYS10464  | 572,420.49 | 0.250 | / /        | 1,574.16          | 470,846.33             | 101,574.16           | 0.00         | 101,574.16      | 572,420.49          |
| 10535   | FAMC       | 193   | 01/11/2016 | 4,041.91          | 0.00                   | 456,082.90           | 0.00         | 455,690.22      | 455,690.22          |
| 31315P5L9   | 455,000.00 | 1.108 | 01/08/2018 | 2,751.61          | 0.00                   | 456,082.90           | 0.00         | 456,274.00      | 456,274.00          |
| 10559   | FHLMC      | 193   | 08/25/2016 | 500.00            | 0.00                   | 500,000.00           | 0.00         | 500,000.00      | 500,000.00          |
| 3134G96J1   | 500,000.00 | 1.000 | 02/25/2019 | 0.00              | 0.00                   | 500,000.00           | 0.00         | 499,200.00      | 499,200.00          |
| <b>Sub Totals For: Fund: General Fund Capital</b> |            |       |            | 9,629.42          | 1,720,796.52           | 1,057,657.06         | 1,000,000.00 | 57,314.19       | 1,778,110.71        |
|   |            |       |            | 8,763.27          | 1,722,921.33           | 1,057,657.06         | 1,000,000.00 | 55,373.16       | 1,778,294.49        |
| <b>Fund: Water/Wastewater Cap</b>                 |            |       |            |                   |                        |                      |              |                 |                     |
| 10465   | NTHSTR     | 194   | 10/01/2015 | 2,356.82          | 612,226.33             | 302,385.34           | 575,000.00   | -272,614.66     | 339,611.67          |
| SYS10465  | 339,611.67 | 0.250 | / /        | 2,385.34          | 612,226.33             | 302,385.34           | 575,000.00   | -272,614.66     | 339,611.67          |
| <b>Sub Totals For: Fund: Water/Wastewater Cap</b> |            |       |            | 2,356.82          | 612,226.33             | 302,385.34           | 575,000.00   | -272,614.66     | 339,611.67          |
|   |            |       |            | 2,385.34          | 612,226.33             | 302,385.34           | 575,000.00   | -272,614.66     | 339,611.67          |

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|---|------------|-------|------------|-------------------|------------------------|----------------------|-------------|-----------------|---------------------|
| Cusip   | Par Value  | YTM   | Mat Date   | Interest Received | Beginning Market Value |                      |             |                 | Ending Market Value |
| <b>Fund: General Debt Service</b>                     |            |       |            |                   |                        |                      |             |                 |                     |
| 10328   | NTHSTR     | 200   | 10/01/2015 | 661.39            | 198,533.82             | 75,643.75            | 0.00        | 75,643.75       | 274,177.57          |
| SYS10328  | 274,177.57 | 0.250 | / /        | 643.75            | 198,533.82             | 75,643.75            | 0.00        | 75,643.75       | 274,177.57          |
| 10017   | TXSTAR     | 200   | 10/01/2015 | 0.00              | 0.00                   | 0.00                 | 0.00        | 0.00            | 0.00                |
| SYS10017  | 0.00       | 5.288 | / /        | 0.00              | 0.00                   | 0.00                 | 0.00        | 0.00            | 0.00                |
| <b>Sub Totals For: Fund: General Debt Service</b>     |            |       |            | 661.39            | 198,533.82             | 75,643.75            | 0.00        | 75,643.75       | 274,177.57          |
|   |            |       |            | 643.75            | 198,533.82             | 75,643.75            | 0.00        | 75,643.75       | 274,177.57          |
| <b>Fund: GF Vehicle &amp; Equip</b>                   |            |       |            |                   |                        |                      |             |                 |                     |
| 10462   | NTHSTR     | 300   | 10/01/2015 | 0.00              | 0.00                   | 0.00                 | 0.00        | 0.00            | 0.00                |
| SYS10462  | 0.00       | 0.250 | / /        | 0.00              | 0.00                   | 0.00                 | 0.00        | 0.00            | 0.00                |
| <b>Sub Totals For: Fund: GF Vehicle &amp; Equip</b>   |            |       |            | 0.00              | 0.00                   | 0.00                 | 0.00        | 0.00            | 0.00                |
|   |            |       |            | 0.00              | 0.00                   | 0.00                 | 0.00        | 0.00            | 0.00                |
| <b>Fund: Fire Vehicle Replace</b>                     |            |       |            |                   |                        |                      |             |                 |                     |
| 10510   | NTHSTR     | 301   | 10/01/2015 | 222.50            | 75,430.34              | 221.65               | 0.00        | 221.65          | 75,651.99           |
| SYS10510  | 75,651.99  | 0.250 | / /        | 221.65            | 75,430.34              | 221.65               | 0.00        | 221.65          | 75,651.99           |
| <b>Sub Totals For: Fund: Fire Vehicle Replace</b>     |            |       |            | 222.50            | 75,430.34              | 221.65               | 0.00        | 221.65          | 75,651.99           |
|   |            |       |            | 221.65            | 75,430.34              | 221.65               | 0.00        | 221.65          | 75,651.99           |
| <b>Fund: Utility Vehicle &amp; Eq</b>                 |            |       |            |                   |                        |                      |             |                 |                     |
| 10487   | FHLMC      | 310   | 09/30/2013 | 132.50            | 200,005.42             | 0.00                 | 200,000.00  | -200,005.42     | 0.00                |
| 3134G3W55   | 0.00       | 0.000 | 11/24/2015 | 450.00            | 200,100.00             | 0.00                 | 200,000.00  | -200,100.00     | 0.00                |
| 10463   | NTHSTR     | 310   | 10/01/2015 | 295.85            | 100,299.95             | 294.73               | 0.00        | 294.73          | 100,594.68          |
| SYS10462  | 100,594.68 | 0.250 | / /        | 294.73            | 100,299.95             | 294.73               | 0.00        | 294.73          | 100,594.68          |
| <b>Sub Totals For: Fund: Utility Vehicle &amp; Eq</b> |            |       |            | 428.35            | 300,305.37             | 294.73               | 200,000.00  | -199,710.69     | 100,594.68          |
|   |            |       |            | 744.73            | 300,399.95             | 294.73               | 200,000.00  | -199,805.27     | 100,594.68          |
| <b>Fund: Utility Meter Replac</b>                     |            |       |            |                   |                        |                      |             |                 |                     |

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|---|------------|-------|------------|-------------------|------------------------|----------------------|-------------|-----------------|---------------------|
| Cusip   | Par Value  | YTM   | Mat Date   | Interest Received | Beginning Market Value |                      |             |                 | Ending Market Value |
| 10524   | FHLB       | 311   | 01/02/2015 | 5,250.00          | 500,000.00             | 0.00                 | 0.00        | 0.00            | 500,000.00          |
| 3130A3Q80   | 500,000.00 | 1.047 | 09/29/2017 | 5,250.00          | 501,850.00             | 0.00                 | 0.00        | -1,650.00       | 500,200.00          |
| 10511   | NTHSTR     | 311   | 10/01/2015 | 812.77            | 275,540.24             | 809.68               | 0.00        | 809.68          | 276,349.92          |
| SYS10511  | 276,349.92 | 0.250 | / /        | 809.68            | 275,540.24             | 809.68               | 0.00        | 809.68          | 276,349.92          |
| <b>Sub Totals For: Fund: Utility Meter Replac</b> |            |       |            | 6,062.77          | 775,540.24             | 809.68               | 0.00        | 809.68          | 776,349.92          |
|   |            |       |            | 6,059.68          | 777,390.24             | 809.68               | 0.00        | -840.32         | 776,549.92          |
| <b>Fund: Water Impact Fees</b>                    |            |       |            |                   |                        |                      |             |                 |                     |
| 10485   | FHLMC      | 610   | 09/30/2013 | 66.25             | 100,002.71             | 0.00                 | 100,000.00  | -100,002.71     | 0.00                |
| 3134G3W55   | 0.00       | 0.000 | 11/24/2015 | 225.00            | 100,050.00             | 0.00                 | 100,000.00  | -100,050.00     | 0.00                |
| 10529   | FHLB       | 610   | 09/30/2015 | 650.00            | 100,165.67             | 0.00                 | 0.00        | -170.50         | 99,995.17           |
| 3130A3PC2   | 100,000.00 | 0.674 | 12/12/2016 | 455.00            | 100,315.00             | 0.00                 | 0.00        | -345.00         | 99,970.00           |
| 10052   | TXSTAR     | 610   | 10/01/2015 | 0.00              | 0.00                   | 0.00                 | 0.00        | 0.00            | 0.00                |
| SYS10013  | 0.00       | 0.209 | / /        | 0.00              | 0.00                   | 0.00                 | 0.00        | 0.00            | 0.00                |
| <b>Sub Totals For: Fund: Water Impact Fees</b>    |            |       |            | 716.25            | 200,168.38             | 0.00                 | 100,000.00  | -100,173.21     | 99,995.17           |
|   |            |       |            | 680.00            | 200,365.00             | 0.00                 | 100,000.00  | -100,395.00     | 99,970.00           |
| <b>Fund: Wastewater Impact Fe</b>                 |            |       |            |                   |                        |                      |             |                 |                     |
| 10530   | FHLB       | 611   | 09/30/2015 | 650.00            | 100,165.67             | 0.00                 | 0.00        | -170.50         | 99,995.17           |
| 3130A3PC2   | 100,000.00 | 0.674 | 12/12/2016 | 455.00            | 100,315.00             | 0.00                 | 0.00        | -345.00         | 99,970.00           |
| 10315   | TXSTAR     | 611   | 10/01/2015 | 0.00              | 0.00                   | 0.00                 | 0.00        | 0.00            | 0.00                |
| SYS10315  | 0.00       | 0.209 | / /        | 0.00              | 0.00                   | 0.00                 | 0.00        | 0.00            | 0.00                |
| <b>Sub Totals For: Fund: Wastewater Impact Fe</b> |            |       |            | 650.00            | 100,165.67             | 0.00                 | 0.00        | -170.50         | 99,995.17           |
|   |            |       |            | 455.00            | 100,315.00             | 0.00                 | 0.00        | -345.00         | 99,970.00           |
| <b>Fund: Roadway Impact Fees</b>                  |            |       |            |                   |                        |                      |             |                 |                     |
| 10301   | TXSTAR     | 630   | 10/01/2015 | 0.00              | 0.00                   | 0.00                 | 0.00        | 0.00            | 0.00                |
| SYS10301  | 0.00       | 0.209 | / /        | 0.00              | 0.00                   | 0.00                 | 0.00        | 0.00            | 0.00                |

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|--|------------|-------|------------|-------------------|------------------------|----------------------|-------------|-----------------|---------------------|
| Cusip  | Par Value  | YTM   | Mat Date   | Interest Received | Beginning Market Value |                      |             |                 | Ending Market Value |
| <b>Sub Totals For: Fund: Roadway Impact Fees</b> |            |       |            | 0.00              | 0.00                   | 0.00                 | 0.00        | 0.00            | 0.00                |
|  |            |       |            | 0.00              | 0.00                   | 0.00                 | 0.00        | 0.00            | 0.00                |
| <b>Fund: Street Escrow</b>                       |            |       |            |                   |                        |                      |             |                 |                     |
| 10329  | NTHSTR     | 699   | 10/01/2015 | 407.15            | 138,036.52             | 405.61               | 0.00        | 405.61          | 138,442.13          |
| SYS10329   | 138,442.13 | 0.250 | / /        | 405.61            | 138,036.52             | 405.61               | 0.00        | 405.61          | 138,442.13          |
| 10019  | TXPOOL     | 699   | 10/01/2015 | 0.00              | 0.00                   | 0.00                 | 0.00        | 0.00            | 0.00                |
| SYS10019   | 0.00       | 4.928 | / /        | 0.00              | 0.00                   | 0.00                 | 0.00        | 0.00            | 0.00                |
| <b>Sub Totals For: Fund: Street Escrow</b>       |            |       |            | 407.15            | 138,036.52             | 405.61               | 0.00        | 405.61          | 138,442.13          |
|  |            |       |            | 405.61            | 138,036.52             | 405.61               | 0.00        | 405.61          | 138,442.13          |
| <b>Fund: Street 2007 CO</b>                      |            |       |            |                   |                        |                      |             |                 |                     |
| 10064  | TXPOOL     | 703   | 10/01/2015 | 0.00              | 0.00                   | 0.00                 | 0.00        | 0.00            | 0.00                |
| SYS10009   | 0.00       | 0.131 | / /        | 0.00              | 0.00                   | 0.00                 | 0.00        | 0.00            | 0.00                |
| 10138  | TXSTAR     | 703   | 10/01/2015 | 0.00              | 0.00                   | 0.00                 | 0.00        | 0.00            | 0.00                |
| SYS10138   | 0.00       | 0.132 | / /        | 0.00              | 0.00                   | 0.00                 | 0.00        | 0.00            | 0.00                |
| 10330  | NTHSTR     | 703   | 10/01/2015 | 164.69            | 400,698.77             | 78.05                | 400,776.82  | -400,698.77     | 0.00                |
| SYS10330   | 0.00       | 0.250 | / /        | 78.05             | 400,698.77             | 78.05                | 400,776.82  | -400,698.77     | 0.00                |
| <b>Sub Totals For: Fund: Street 2007 CO</b>      |            |       |            | 164.69            | 400,698.77             | 78.05                | 400,776.82  | -400,698.77     | 0.00                |
|  |            |       |            | 78.05             | 400,698.77             | 78.05                | 400,776.82  | -400,698.77     | 0.00                |
| <b>Fund: Tech 2007 CO</b>                        |            |       |            |                   |                        |                      |             |                 |                     |
| 10380  | NTHSTR     | 704   | 10/01/2015 | 0.00              | 0.00                   | 0.00                 | 0.00        | 0.00            | 0.00                |
| SYS10380   | 0.00       | 0.613 | / /        | 0.00              | 0.00                   | 0.00                 | 0.00        | 0.00            | 0.00                |
| 10065  | TXPOOL     | 704   | 10/01/2015 | 0.00              | 0.00                   | 0.00                 | 0.00        | 0.00            | 0.00                |
| SYS100099  | 0.00       | 2.246 | / /        | 0.00              | 0.00                   | 0.00                 | 0.00        | 0.00            | 0.00                |
| 10139  | TXSTAR     | 704   | 10/01/2015 | 0.00              | 0.00                   | 0.00                 | 0.00        | 0.00            | 0.00                |
| SYS10139   | 0.00       | 0.145 | / /        | 0.00              | 0.00                   | 0.00                 | 0.00        | 0.00            | 0.00                |

**City of Corinth portfolio**  
**Texas Compliance Change in Val Report**  
**October 1, 2015 - September 30, 2016**

| Inv #   | Issuer       | Fund  | Purch Date | Interest Accrual  | Beginning Book Value   |                      |              |                 | Ending Book Value   |
|---|--------------|-------|------------|-------------------|------------------------|----------------------|--------------|-----------------|---------------------|
| Cusip   | Par Value    | YTM   | Mat Date   | Interest Received | Beginning Market Value | Purchases/ Additions | Redemptions  | Change in Value | Ending Market Value |
| <b>Sub Totals For: Fund: Tech 2007 CO</b>         |              |       |            | 0.00              | 0.00                   | 0.00                 | 0.00         | 0.00            | 0.00                |
|   |              |       |            | 0.00              | 0.00                   | 0.00                 | 0.00         | 0.00            | 0.00                |
| <b>Fund: Fire 2010 CO</b>                         |              |       |            |                   |                        |                      |              |                 |                     |
| 10370   | NTHSTR       | 705   | 10/01/2015 | 0.00              | 0.00                   | 0.00                 | 0.00         | 0.00            | 0.00                |
| SYS10370  | 0.00         | 0.510 | / /        | 0.00              | 0.00                   | 0.00                 | 0.00         | 0.00            | 0.00                |
| <b>Sub Totals For: Fund: Fire 2010 CO</b>         |              |       |            | 0.00              | 0.00                   | 0.00                 | 0.00         | 0.00            | 0.00                |
|   |              |       |            | 0.00              | 0.00                   | 0.00                 | 0.00         | 0.00            | 0.00                |
| <b>Fund: 2016 CO General Capi</b>                 |              |       |            |                   |                        |                      |              |                 |                     |
| 10555   | FHLMC        | 706   | 06/28/2016 | 4,133.33          | 0.00                   | 2,000,000.00         | 0.00         | 2,000,000.00    | 2,000,000.00        |
| 3134G9WU7   | 2,000,000.00 | 0.800 | 12/28/2017 | 0.00              | 0.00                   | 2,000,000.00         | 0.00         | 1,999,400.00    | 1,999,400.00        |
| 10552   | FHLB         | 706   | 06/16/2016 | 1,155.00          | 0.00                   | 550,000.00           | 0.00         | 550,000.00      | 550,000.00          |
| 3130A8HM8   | 550,000.00   | 0.720 | 01/16/2018 | 330.00            | 0.00                   | 550,000.00           | 0.00         | 549,230.00      | 549,230.00          |
| 10554   | FHLMC        | 706   | 06/30/2016 | 2,022.22          | 0.00                   | 1,000,000.00         | 0.00         | 1,000,000.00    | 1,000,000.00        |
| 3134G9G76   | 1,000,000.00 | 0.800 | 06/29/2018 | 0.00              | 0.00                   | 1,000,000.00         | 0.00         | 997,800.00      | 997,800.00          |
| 10560   | FHLMC        | 706   | 08/25/2016 | 1,000.00          | 0.00                   | 1,000,000.00         | 0.00         | 1,000,000.00    | 1,000,000.00        |
| 3134G96J1   | 1,000,000.00 | 1.000 | 02/25/2019 | 0.00              | 0.00                   | 1,000,000.00         | 0.00         | 998,400.00      | 998,400.00          |
| 10561   | FHLB         | 706   | 08/30/2016 | 898.26            | 0.00                   | 1,000,000.00         | 0.00         | 1,000,000.00    | 1,000,000.00        |
| 3130A8YM9   | 1,000,000.00 | 1.006 | 02/28/2019 | 0.00              | 0.00                   | 1,000,000.00         | 0.00         | 998,700.00      | 998,700.00          |
| 10549   | TXSTAR       | 706   | 05/19/2016 | 12,293.11         | 0.00                   | 20,011,518.72        | 5,000,000.00 | 5,011,518.72    | 5,011,518.72        |
| SYS10549  | 5,011,518.72 | 0.412 | / /        | 11,518.72         | 0.00                   | 20,011,518.72        | 5,000,000.00 | 5,011,518.72    | 5,011,518.72        |
| <b>Sub Totals For: Fund: 2016 CO General Capi</b> |              |       |            | 21,501.92         | 0.00                   | 25,561,518.72        | 5,000,000.00 | 10,561,518.72   | 10,561,518.72       |
|   |              |       |            | 11,848.72         | 0.00                   | 25,561,518.72        | 5,000,000.00 | 10,555,048.72   | 10,555,048.72       |
| <b>Fund: Water 2007 CO</b>                        |              |       |            |                   |                        |                      |              |                 |                     |
| 10066   | TXPOOL       | 800   | 10/01/2015 | 0.00              | 0.00                   | 0.00                 | 0.00         | 0.00            | 0.00                |
| SYS10009  | 0.00         | 0.050 | / /        | 0.00              | 0.00                   | 0.00                 | 0.00         | 0.00            | 0.00                |

City of Corinth portfolio  
Texas Compliance Change in Val Report  
October 1, 2015 - September 30, 2016

| Inv #   | Issuer    | Fund  | Purch Date | Interest Accrual  | Beginning Book Value   |                      |             |                 | Ending Book Value   |
|---|-----------|-------|------------|-------------------|------------------------|----------------------|-------------|-----------------|---------------------|
| Cusip   | Par Value | YTM   | Mat Date   | Interest Received | Beginning Market Value | Purchases/ Additions | Redemptions | Change in Value | Ending Market Value |
| 10135   | TXSTAR    | 800   | 10/01/2015 | 0.00              | 0.00                   | 0.00                 | 0.00        | 0.00            | 0.00                |
| SYS10135  | 0.00      | 0.103 | / /        | 0.00              | 0.00                   | 0.00                 | 0.00        | 0.00            | 0.00                |
| 10333   | NTHSTR    | 800   | 10/01/2015 | 0.00              | 0.00                   | 0.00                 | 0.00        | 0.00            | 0.00                |
| SYS10333  | 0.00      | 0.250 | / /        | 0.00              | 0.00                   | 0.00                 | 0.00        | 0.00            | 0.00                |
| <b>Sub Totals For: Fund: Water 2007 CO</b>      |           |       |            | 0.00              | 0.00                   | 0.00                 | 0.00        | 0.00            | 0.00                |
|   |           |       |            | 0.00              | 0.00                   | 0.00                 | 0.00        | 0.00            | 0.00                |
| <b>Fund: Wastewater 2007 CO</b>                 |           |       |            |                   |                        |                      |             |                 |                     |
| 10067   | TXPOOL    | 801   | 10/01/2015 | 0.00              | 0.00                   | 0.00                 | 0.00        | 0.00            | 0.00                |
| SYS10009  | 0.00      | 0.035 | / /        | 0.00              | 0.00                   | 0.00                 | 0.00        | 0.00            | 0.00                |
| 10136   | TXSTAR    | 801   | 10/01/2015 | 0.00              | 0.29                   | 0.00                 | 0.29        | -0.29           | 0.00                |
| SYS10136  | 0.00      | 0.031 | / /        | 0.00              | 0.29                   | 0.00                 | 0.29        | -0.29           | 0.00                |
| 10334   | NTHSTR    | 801   | 10/01/2015 | 0.00              | 0.00                   | 0.00                 | 0.00        | 0.00            | 0.00                |
| SYS10334  | 0.00      | 0.250 | / /        | 0.00              | 0.00                   | 0.00                 | 0.00        | 0.00            | 0.00                |
| <b>Sub Totals For: Fund: Wastewater 2007 CO</b> |           |       |            | 0.00              | 0.29                   | 0.00                 | 0.29        | -0.29           | 0.00                |
|   |           |       |            | 0.00              | 0.29                   | 0.00                 | 0.29        | -0.29           | 0.00                |
| <b>Fund: Drainage 2007 CO</b>                   |           |       |            |                   |                        |                      |             |                 |                     |
| 10137   | TXSTAR    | 802   | 10/01/2015 | 0.00              | 0.00                   | 0.00                 | 0.00        | 0.00            | 0.00                |
| SYS10137  | 0.00      | 0.090 | / /        | 0.00              | 0.00                   | 0.00                 | 0.00        | 0.00            | 0.00                |
| 10458   | NTHSTR    | 802   | 10/01/2015 | 191.22            | 151,619.61             | 188.52               | 151,808.13  | -151,619.61     | 0.00                |
| SYS10458  | 0.00      | 0.250 | / /        | 188.52            | 151,619.61             | 188.52               | 151,808.13  | -151,619.61     | 0.00                |
| 10068   | TXPOOL    | 802   | 10/01/2015 | 0.00              | 0.00                   | 0.00                 | 0.00        | 0.00            | 0.00                |
| SYS10009  | 0.00      | 2.972 | / /        | 0.00              | 0.00                   | 0.00                 | 0.00        | 0.00            | 0.00                |
| <b>Sub Totals For: Fund: Drainage 2007 CO</b>   |           |       |            | 191.22            | 151,619.61             | 188.52               | 151,808.13  | -151,619.61     | 0.00                |
|   |           |       |            | 188.52            | 151,619.61             | 188.52               | 151,808.13  | -151,619.61     | 0.00                |

**City of Corinth portfolio**  
**Texas Compliance Change in Val Report**  
**October 1, 2015 - September 30, 2016**

| Inv #                       | Issuer    | Fund | Purch Date | Interest Accrual  | Beginning Book Value   |                      |               |                 | Ending Book Value   |
|-----------------------------|-----------|------|------------|-------------------|------------------------|----------------------|---------------|-----------------|---------------------|
| Cusip                       | Par Value | YTM  | Mat Date   | Interest Received | Beginning Market Value | Purchases/ Additions | Redemptions   | Change in Value | Ending Market Value |
| <b>Report Grand Totals:</b> |           |      |            | 122,108.65        | 17,120,182.95          | 49,066,809.28        | 28,225,452.57 | 10,827,348.85   | 27,947,531.80       |
|                             |           |      |            | 83,838.13         | 17,136,635.51          | 49,066,809.28        | 28,225,452.57 | 10,704,862.00   | 27,841,497.51       |

City of Corinth, Texas

ANNUAL INVESTMENT REPORT

*For Fiscal Year Ended September 30, 2016*



**APPENDIX B**

**First Southwest Portfolio Assessment**



**City of Corinth, Texas**  
Portfolio Exceptions  
Quarter Ending September 30, 2016

*Fund Groups Included: Consolidated, Operating, Eco Development, Crime Control and Street Maintenance Tax.*

The following exception(s) were noted during our review of the above-captioned investment report:

*There were no exceptions noted.*

A handwritten signature in blue ink, appearing to read "Scott D. McIntyre", is written over a horizontal line.

Scott D. McIntyre, CFA  
Managing Director  
FirstSouthwest Asset Management, LLC

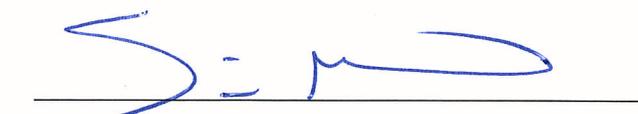
A handwritten date "11/11/16" in blue ink is written over a horizontal line.

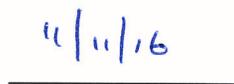
Date

**City of Corinth, Texas**  
Portfolio Assessment  
Quarter Ending September 30, 2016

*Fund Groups Included: Consolidated, Operating, Eco Development, Crime Control and Street Maintenance Tax.*

- After raising the overnight rate target by 25 bps in December 2015, the Fed has spent all of 2016 on hold. This is expected to change on December 14<sup>th</sup> when the FOMC will likely vote to increase the fed funds rate by another quarter point to a range of 0.50% to 0.75%. Market yields have risen in anticipation and the City's portfolio appears to be in good position to benefit from the expected move. The weighted-average maturity of the City's overall portfolio is less than five (5) months at quarter end. This defensive positioning suggests that the portfolio will benefit more significantly as interest rates climb than if the average maturity were longer.
- The City's overall portfolio yield was 0.62% at quarter end compared to the 0.43% quarterly average of the six-month Treasury bill.
- There are no apparent credit risks being assumed; no direct exposure to foreign markets; no leveraging or speculation.
- Bank deposits are secured through a Federal Home Loan Bank (FHLB) standby letter of credit in the amount of \$9 million.

  
\_\_\_\_\_  
Scott D. McIntyre, CFA  
Managing Director

  
\_\_\_\_\_  
Date

City of Corinth, Texas

**ANNUAL INVESTMENT REPORT**

*For Fiscal Year Ended September 30, 2016*



**APPENDIX C**

**Glossary**

## Glossary

**Accrued Interest** – In the sale of a new issue of municipal bonds, the dollar amount, based on the stated rate or rates of interest, which has accrued on the bonds from the dated date, or other stated date, up to but not including the date of delivery. When a bond is purchased in the secondary market, the dollar amount, based upon the stated rate of interest, which has accrued on the bond from the most recent interest payment date, up to but not including the date of settlement. Accrued interest is paid to the seller by the purchaser and is usually calculated on a 360-day-year basis (assumes each month has 30 days).

**Agencies** – Federal agency securities.

**Arbitrage** – Generally, transactions by which securities are bought and sold in different markets at the same time for the sake of the profit arising from a difference in prices in the two markets. With respect to the issuance of municipal bonds, arbitrage usually refers to the difference between the interest paid on the bonds issued and the interest earned by investing the bond proceeds in other securities. Arbitrage profits are permitted on bond proceeds for various temporary periods after issuance of municipal bonds. Internal Revenue Service regulations govern arbitrage of municipal bond proceeds.

**Asked** – The price at which securities are offered.

**Bankers' Acceptance (BA)** – A draft or bill of exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer.

**Bearer Bond** – Bond which is presumed to be owned by the person who holds it. The Tax Equity and Fiscal Responsibility Act of 1982 requires the issuance of municipal bonds in fully registered form, with minor exceptions.

**Bid** – The price offered by a buyer of securities. (When you are selling securities, you ask for a bid).

**Book Value** – The original acquisition cost of an investment plus or minus the accrued amortization or accretion.

**Broker** – A broker brings buyers and sellers together for a commission.

**Callable Bond** – a bond issue in which all or part of its outstanding principal amount may be redeemed before maturity by the issuer under specified conditions.

**Call Price** – The price at which an issuer may redeem a bond prior to maturity. The price is usually at a slight premium to the bond's original issue price to compensate the holder for loss of income and ownership.

**Call Risk** – The risk to a bondholder that a bond may be redeemed prior to maturity.

**Capital Appreciation Bond** – Long-term tax exempt security sold at a large discount. Yield is reinvested at a stated rate until maturity at which time the investor receives total payment. Latter represents both principal and interest.

**Certificate of Deposit (CD)** – A time deposit with a specific maturity evidenced by a certificate. Large denomination CD's are typically negotiable.

**Collateral** – Securities, evidence of deposit or other property which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

**Commercial Paper (tax-exempt)** – Short-term, unsecured promissory notes issued in either registered or bearer form, and usually backed by a line of credit with a bank. Maturities do not exceed 270 days and generally average 30 – 45 days.

**Comprehensive Annual Financial Report (CAFR)** – The official annual report for the City of Corinth. It includes five combined statements for each individual fund and account group prepared in conformity with GAAP. It also includes supporting schedules necessary to demonstrate compliance with finance related to legal and contractual provision, extensive introductory material, and a detailed Statistical Section.

**Coupon** – (a) The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value. (b) A certificate attached to a bond evidencing interest due on a payment date.

**Current Yield** – The ratio of the annual dollar amount of interest to the purchase price of a bond, stated as a percentage. For example, a \$1,000 bond purchased at par with an 8% coupon pays \$80 per year, or a current yield of 8%. The same bond, if purchased at a discounted price of \$800, would have a current yield of 10%.

**Dated Date** – The date of a bond issue, printed on each bond, from which interest usually starts to accrue, even though the bonds may actually be delivered at some later date.

**Dealer** – A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

**Debenture** – A bond secured only by the general credit of the issuer.

**Delivery Date** – Date on which the bonds are physically delivered in exchange for the payment of the purchase price. The date of issuance is the same date as the delivery date.

**Delivery Versus Payment** – There are two methods of delivery of securities: delivery versus payment and delivery versus receipt. Delivery versus payment is delivery of securities with an exchange of money for the securities. Delivery versus receipt is delivery of securities with an exchange of a signed receipt for the securities.

**Discount** – The difference between the cost price of a security and its maturity when quoted at lower than face value. A security selling below original offering price shortly after sale also is considered to be at a discount.

**Discount Securities** – Non-interest bearing money market instruments that are issued a discount and redeemed at maturity for full face value, e.g. U.S. Treasury Bills.

**Diversification** – Dividing investment funds among a variety of securities offering independent returns.

**Federal Credit Agencies** – Agencies of the Federal government set up to supply credit to various classes of institutions and individuals, e.g., S & L's small business firms, students, farmers, farm cooperatives, and exporters.

**Federal Deposit Insurance Corporation (FDIC)** – A federal agency that insures bank deposits, currently up to \$100,000 per deposit.

**Federal Funds Rate** – The rate of interest at which federal funds are traded. This rate is currently pegged by the Federal Reserve through open-market operations.

**Federal Home Loan Banks (FHLB)** – The institutions that regulate and lend to savings and loan associations. The Federal Home Loan Banks play a role analogous to that played by the Federal Reserve Banks vis-à-vis member commercial banks.

**Federal National Mortgage Association (FNMA)** – FNMA, like GNMA was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. Fannie Mae, as the corporation is called, is a private stockholder owned corporation. The corporation's purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages. FNMA's securities are also highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest.

**Federal Open Market Committee (FOMC)** – Consists of seven members of the Federal Reserve Board and five of the twelve Federal Reserve Bank Presidents. The President of the New York Federal Reserve Bank is a permanent member, while the other Presidents serve on a rotating basis. The Committee periodically meets to set Federal Reserve guidelines regarding purchases and sales of Government Securities in the open market as a means of influencing the volume of bank credit and money.

**Federal Reserve System** – The central bank of the United States created by Congress and consisting of a seven member Board of Governors in Washington, D.C., 12 regional banks and about 5,700 commercial banks that are members of the system.

**Fiscal Year** – A twelve-month period which determines the time frame for financial reporting, budgeting, and accounting. At the end of the fiscal year, financial position and results of operations are determined.

**Government National Mortgage Association (GNMA or Ginnie Mae)** – Securities influencing the volume of bank credit guaranteed by GNMA and issued by mortgage bankers, commercial banks, savings and loan associations, and other institutions. Security holder is protected by full faith and credit of the U.S. Government. Ginnie Mae securities are backed by the FHA, VA or FMHM mortgages. The term "pass throughs" is often used to describe Ginnie Maes.

**Interest** – Compensation for the use of borrowed money, generally expressed as an annual percentage of the principal amount.

**Liquidity** – Usually refers to the ability to convert assets (such as investments) into cash.

**Market Value** – The Current face or par value of an investment multiplied by the net selling price of the security as quoted by a recognized market pricing source quoted on the valuation date.

**Master Repurchase Agreement** – A written contract covering all future transactions between the parties to repurchase – reverse repurchase agreements that establishes each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller-borrower.

**Maturity** – The date upon which the principal of a municipal bond becomes due and payable to the bondholder.

**Money Market** – The market in which short-term debt instruments (bills, commercial paper, bankers' acceptances, etc.) are issued and traded.

**Note** – A written, short-term promise of the issuer to repay a specified principal amount on a certain date, together with interest at a stated rate, or according to a formula for determining that rate, payable from a defined source of anticipated revenue. Notes usually mature in less than five years.

**Offer** – The price asked by a seller of securities. (When you are buying securities, you ask for an offer.)

**Open Market Operations** – Purchases and sales of government and certain other securities in the open market by the New York Federal Reserve Bank as directed by the FOMC in order to influence the volume of money and credit in the economy. Purchases inject reserves in the bank system and stimulate growth of money and credit; sales have the opposite effect. Open market operations are the Federal Reserve's most important and most flexible monetary policy tool.

**Original Issue Discount** – An amount which represents the difference by which par value exceeds the public offering price of a new issue or part of an issue of municipal bonds. Original issue discount is amortized over the life of the bonds and is generally treated as tax-exempt interest. When the investor sells the bonds before maturity, any profit or loss realized on such sale is figured on the adjusted cost basis for tax purposes. The adjusted cost basis is calculated for each year the bonds are outstanding by adding the accretion value to the original offering price. The accretion value is determined by the rules and regulations of the Internal Revenue Service. Selling the bonds at a price in excess of the adjusted cost basis would result in a taxable gain for the seller, while a selling price below that level would be treated as a loss for income tax purposes.

**Par Value** – In the case of bonds, the amount of principal which must be paid at maturity. Par value is also referred to as the face amount of a security.

**Pooled Fund Group** – An internally created fund of an investing entity in which one or more institutional accounts of the investing entity are invested.

**Portfolio** – Collection of securities held by an investor.

**Premium** – The amount by which the price paid for a security exceeds par value, generally representing the difference between the nominal interest rate and the actual or effective return to the investor.

**Primary Dealer** – A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC) – registered securities broker-dealers, banks, and a few unregulated firms.

**Primary Market** – The market for new issues of municipal securities.

**Principal** – The face amount or par value of a bond or issue of bonds payable on stated dates of maturity.

**Prudent Person Rule** – An investment standard. In some states the law requires that a fiduciary, such as a trustee, may invest money only in a list of securities selected by the custody state—the so-called legal

list. In other states the trustee may invest in a security if it is one which would be bought by a prudent person of discretion and intelligence who is seeking a reasonable income and preservation of capital.

**Qualified Public Depositories** – A financial institution which does not claim exemption from the payment of any sales or compensating use or ad valorem taxes under the laws of this state, which has segregated for the benefit of the commission eligible collateral having a value of not less than its maximum liability and which has been approved by the Public Deposit Protection Commission to hold public deposits.

**Qualified Representative** – A Person who holds a position with a business organization, who is authorized to act on behalf of the business organization, and who is one of the following:

- (a) for a business organization doing business that is regulated by or registered with a securities commission, a person who is registered under the rules of the National Association of Securities Dealers;
- (b) for a state or federal bank, a savings bank, or a state or federal credit union, a member of the loan committee for the bank or branch of the bank or a person authorized by corporate resolution to act on behalf of and bind the banking institution; or
- (c) for an investment pool, the person authorized by the elected official or board with authority to administer the activities of the investment pool to sign the written instrument on behalf of the investment pool.

**Rate of Return** – The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond the current income return.

**Ratings** – Evaluations of the credit quality of notes and bonds usually made by independent rating services, although many financial institutions also rate bonds for their own purposes. Ratings generally measure the probability of the timely repayment of principal of and interest on municipal bonds. Ratings are initially made before issuance and are continuously reviewed and may be amended to reflect changes in the issuer's credit position. The information required by the rating agencies varies with each bond issue, but generally includes demographics, debt burden, economic base, finances, and management structure. The information is evaluated and the issue is assigned a letter rating which reflects the creditworthiness of the bonds. The higher the credit rating, the more favorable the effect on the marketability of the bond.

**Repurchase Agreement** – A simultaneous agreement to buy, hold for a specified time, and sell back at a future date obligations described by Section 2256.009(a)(1), at a market value at the time the funds are disbursed of not less than the principal amount of the funds disbursed. The term includes a direct security repurchase agreement and a reverse security repurchase agreement.

**Safekeeping** – A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank's vaults for protection.

**Secondary Market** – A market made for the purchase and sale of outstanding issues following the initial distribution.

**Securities and Exchange Commission or SEC** – The federal agency responsible for supervising and regulating the securities industry. Generally, municipal securities are exempt from the SEC's registration and reporting requirements. However, the SEC has responsibility for the approval of Municipal Securities Rulemaking Board rules, and has jurisdiction, pursuant to SEC Rule 10b-5, over fraud in the sale of municipal securities.

**Security** – Generally, evidence of debt or equity in a common enterprise in which a person invests in the expectation of earning income. The term includes notes, stocks, bonds, debentures, mortgages, and other forms of negotiable and non-negotiable evidences of indebtedness or ownership. Unless exempted, as are municipal bonds, securities transactions are subject to federal and state regulation.

**Separately Invested Asset** – An account or fund of a state agency or local government that is not invested in a pooled fund group.

**Treasury Securities** – Debt obligations of the United States Government sold by the Treasury Department in the forms of bills, notes, and bonds.

**Bills** – Short-term obligations which mature in one year or less, and are sold at a discount in lieu of paying periodic interest.

**Notes** – Interest bearing obligations which mature between one year and 10 years.

**Bonds** – Interest bearing long-term obligations which generally mature in 10 years or more.

**Yield Curve** – A graph which plots the yields on securities with equivalent quality but different maturities, at a given point in time. The vertical axis represents the interest rates, while the horizontal axis depicts the years to maturity. The term structure of interest rates, as reflected by the yield curve, will vary according to market conditions, resulting in a variety of yield curve configurations.

**Normal or Positive Yield Curve** – Indicates that short-term securities have a lower interest rate than long-term securities.

**Inverted or Negative Yield Curve** – Reflects the situation of short-term rates exceeding long-term rates.

**Flat Yield Curve** – Reflects the situation when short and long-term rates are the same.

**Humpback Yield Curve** – An unusual shape, indicating that rates are rising in the early years, peaking in the middle years and declining in later years.

**Yield to Maturity** – The rate of return to the investor earned from payments of principal and interest, with interest compounded semiannually and assuming that interest paid is reinvested at the same rate. Yield to maturity takes into account the time value of the investment.

**Zero Coupon Bond** – A bond which pays no interest, but is issued at a deep discount from par, appreciating to its full value at maturity.